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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2273

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EAST EUROPE REPORT

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CEMA'S INTERNAL, EXTERNAL ECONOMIC PROBLEMS VIEWED

Budapest NEPSZABADSAG in Hungarian 7 Apr 82 p 10

[Article by Gyula Kovacs, deputy chairman, National Planning Office: "CEMA in the World Economy"]

[Text] In the 1970's the European CEMA countries arrived at a new phase in their development in which the slogan of "efficiency--modernization--quality" was emphasized. These countries arrived almost at the same time at the threshold of an economic change of eras. With the exhaustion of extensive development sources, the demand for intensifying national economies appeared everywhere. Sources within the community are no longer able to satisfy the materials demand for extensive development. The possibilities for the once basic "interbranch exchange" or offsetting of material-type products with finished products have narrowed while the areas of "intrabranh exchange" have expanded only slowly. (Agreements on production cooperation and cooperative projects for spare parts and component parts are developing slowly, and trade in consumer items is of relatively small scope.) For the intensive development and transformation of the production structure, however, the CEMA countries are struggling with a relative shortage of means; for the attainment of our goals, the interrelationships among the member countries and certain elements of the cooperation mechanism (for example, the foreign currency-financial area) cannot be regarded as adequately developed.

Structural Problems

The economic growth rate of the CEMA countries has moderated. Until 1975, rapid economic development was generally evident in all CEMA countries. Since 1975 we encountered a moderating rate in the production of national income and in the value of industrial achievements and agricultural production. In most of the countries there has been an increase in the internal and external disequilibrium of the economies. The equilibrium problems were also aggravated by the fact that deterioration in the terms of trade--different in all countries--occurred essentially concurrently and in a relatively short time in commodity trade with both the socialist and capitalist countries. CEMA prime formation practice mitigated the unfavorable effects, but the deterioration in the terms of trade was of such significance that the Hungarian economy was unable fully to counter it even with exports that increased substantially more rapidly than imports.

The structural asymmetries became more strained because of the obsolete nature of the processing industry here and there, the undeveloped state of the infrastructure, and the relatively low performance capability of agriculture. In a number of countries, a significant volume and structure of consumer demand are not being satisfied.

The dynamics of intra-CEMA trade has also slowed. For example, Hungary's trade with CEMA countries increased 70 percent between 1971 and 1975, but only 25 percent at unchanged prices between 1976 and 1980. In 1981 there was no increase in the volume of our trade. The position formerly held by CEMA countries in world trade--that is, about 10 percent--has also declined in the past 2 years.

New elements have appeared in our cooperation within the community. This could already be felt in the coordination of economic plans extending to the period 1981-1985. Demands of the various countries became strongly differentiated, the scope of demands expanded, quality and selection requirements increased. Supply did not expand, in certain commodity groups--primarily materials, semiprocessed goods and energy sources--it narrowed and in some cases fell below former levels. There was a reevaluation in various commodity groups. The so-called "hard goods" (primarily materials and energy sources) were evaluated upward. Commodities that were formerly valued highly dropped in evaluation rankings (for example, processed foods and several products of crop-raising) while others moved ahead (for example, machine consumer items). Concepts linking commodity deliveries to one another were expanded. The balancing of commodity deliveries annually and over a 5-year period became questions of prime importance.

Our internal problems were intensified by external influences. Entering the intensive phase of development coincided with a world economic situation that had become more unfavorable. Foreign political tensions became more strained; this too increases our foreign trade and financing difficulties. Serving the Cold War goals of imperialist circles, economic pressure on CEMA countries increased.

The seriousness of the tasks to be solved, the problems emphatically appearing with the change of phase, and the estimate that we must transform existing cooperation into actual and effective integration--these stress all the more the importance of the complex program designed to develop the economic integration of the CEMA states.

The fact that solutions for urgently needed cooperation are particularly emphasized as a consequence of the altered economic situation led to a certain shift in ratios during implementation of the tasks from the program. The product sphere had to deal, above all, with the questions of material and energy supply, while further developing the economic means system for cooperation and strengthening direct relations at the enterprise level were forced into the background. The present system of price formation focuses on an approach to world market price ratios but it does not afford protection against the infiltration of price increases determined by monopolist-type or political factors on the capitalist market.

Flexible Forms

The more flexible commercial forms based on state obligations in mutual commodity trade did not receive adequate scope.

We are able to prevail over the difficulties caused by external and internal factors--going beyond the improvement of our own work and methods--primarily by the increased use of the reserves and advantages in work distribution among the socialist countries. For this, however, we must develop socialist economic integration more quickly.

Only a more efficient socialist economic community can contribute better to solving the great problems that affect all of us and to bridging economic difficulties. In the process of integrational development, the economic strength of all CEMA countries must be increased and the possibilities for balanced and proportional development improved. We must in this way create supplementary sources for maintaining or accelerating the economic growth of integration, for bringing about modern technical solutions and for modernizing the production structure of individual countries. With this, we can also strengthen the export potential of the community.

For all these goals, we must devote great attention to further integrational measures that are waiting to be worked out. We must in a far-reaching way consider the endowments, interests and load-bearing capacity of the individual countries in order to create conditions for more dynamic and balanced progress. For Hungary this means that cooperation in the framework of integration should contribute to an increasing extent to our relative internal economic stability, to maintaining our firm political situation and to increasing and realizing our efforts to improve the external economic equilibrium.

Areas of Cooperation

According to present judgment, the area of cooperation with the best prospects is the processing industry. We must concentrate our strength on those areas where, by relying on results, specialization and cooperation in the individual countries will result in modern and economic production and expand intermember trade. We must make progress in coordinating the developments called for in key branches of technical development, in the use of technical results, and we must avoid the creation of unjustified parallel capacities and the fragmentation of research efforts. The most urgent in this area perhaps is the specialized, large series production of standardized spare parts and component, or semiprocessed products. In this way, we can create a modern production base for the machine industry, electronics, chemical industry and other industrial processing branches.

It is a task of continuing great importance to resolve the security of the heating fuel, energy and raw material supply. This is a question of the maintenance of existing sources, the economic use of internal reserves and the discovery of new kinds of energy and raw materials. The manifold utilization of results achieved in reducing specific energy consumption is of outstanding importance.

The better satisfaction of consumer needs and the improvement of the food supply are a strategic problem in CEMA countries. Here on the basis of Hungarian development experiences, we must cooperate actively in strengthening the scientific research bases in these branches, in developing the modern industrial base, and in broad-scale extension of production systems that exhibit great results. Tasks also remain to be solved internationally in the development of an economic conditions system that gives incentives to production and export.

We could realize the deepening of cooperation more effectively and rapidly and expand to the microsphere if direct ties were broadened among enterprises and economic organizations of the CEMA countries. It is only in this way that we can put into the service of goals for socialist economic integration the reserves latent in the initiatives of producer enterprises. Direct relations resting on a contractual basis not only could establish a better basis for the preparation of agreements directed at mutual commodity deliveries but would also improve technical planning.

An outstanding role is played in the speeding and influencing of the integration process by the improvement of the institutional system and mechanism for cooperation and its inventory of means. The necessity of this was expressed at the 1981 Sofia session of CEMA, when the international harmonization and coordination of the economic policies of the CEMA countries and the approach to the guidance system were on the agenda.

Coordination of Economic Policy

In the past, too, we conducted economic political consultations but their depth and success need to be increased. In the harmonization of economic policies, we are speaking of coordinating general (community) and particular (national) interests, which in all countries are decided by the leading party and state organs. A unified position must be reached in order to determine to what matters the coordination of economic policy should extend, of what depth it should be and in respect to its consequences what obligations should be undertaken. Economic political decisions influencing mutual economic and scientific-technical cooperation should be coordinated with this integration. In mutually coordinated problems, the interested countries might also pass joint resolutions resolving international agreements.

A very important area of this might be, for example, the coordination of these investments in the framework of coordinated economic plans, resulting in production designed to meet general joint needs and to help in solving bottlenecks. The areas of international cooperation that do not affect, or do so only indirectly, economic political intentions could be discussed or made known in the framework of broad-scale consultations. Thus economic political consultations appear purposeful on economic growth; the main directions of development; living standard and sociopolitical goals; internal price, financial and credit policies; and preferences for economic development. Since from the viewpoint of the development of individual economies these latter areas include a wider economic political scope, the characteristic form of economic political cooperation would remain consultation.

Our foreign economic and political orientation is firm over the long term as well. We regard it as a primary interest to strengthen bilateral relations linking us with CEMA-member countries and the development of socialist international integration. One of the goals of our internal economic development policy is that by increasing the competitiveness of our production our CEMA positions will also be strengthened. Weighing the possibilities and interests, we will always strive with initiative to expand cooperation.

This intention was received among CEMA countries, in the past several years, a mutual and new upswing with the search for possibilities and methods suitable for warding off world economic influences. But a further increase in economic cooperation will not mean that the community is turning inward. The international processes and phenomena experienced in recent years, even with their often negative consequences for us, show that CEMA fits closely into the international work distribution system of the world. A strengthening of the positions of the individual member countries accompanying the development of the community is necessary in order that we might also conduct, on the basis of equality and reciprocity, broader and more balanced economic relations with other parts of the world.

6691

CSO: 2500/202

ACHIEVEMENTS, FUTURE TASKS OF CEMA VIEWED

Budapest FIGYELO in Hungarian No 16, 21 Apr 82 pp 12-13

[Article by Zsuzsa Foti: "CEMA: Achievements and Future Tasks"]

[Text] In the coming years, two comprehensive areas within the CEMA cooperation framework will need significant improvement. One of these is the heating material, energy and raw materials sector, including reliable organization of long range supply of the basic food products. The other one is production and supplying each other with modern machinery, equipment and technologies with high technical parameters; these are generally considered to be shortage items. There is hardly an area of CEMA's multifaceted activity which is directly or indirectly not related to these areas.

The main directions of cooperation in the energetics and raw materials sector is defined by the goal program adopted in 1978. Among other things, it emphasizes increased utilization of their own domestic natural resources. Development of nuclear energy and expansion of the international electrical network are assigned outstanding roles in the energy supply. Working out macro and micro level measures to rationalize energy and raw material consumption and to implement savings, as well as research for new energy sources are important tasks.

Thus far the designated directions of cooperation have proven correct, but the work of the CEMA organs in the mentioned areas has not yet reached the desired efficiency. This is related to the fact that there is a relative shortage of funds and the recovery of investments requires more time than the average; development as well as modernization require new types of technical and technological solutions and equipment, etc.

Machinery manufacture taken in the broad sense, and the electronics industry are emphasized areas of cooperation in the processing industry. It has been proven that any rapid and successful progress is possible only by concentrating on a few selected areas. Therefore the main directions of specialization to enjoy priority have been determined. These are: high productivity metal processing equipment; fuel and energy saving technological equipment; open pit mining and pipeline laying machines; general purpose hydraulic and pneumatic equipment for the machinery industry; industrial transportation and warehousing equipment, industrial robots, complex machinery systems for the

agriculture and food industries; process control equipment, a standardized base of electronics elements and spare parts. It is evident also from the list that branches, subbranches and product groups are involved which, on the one hand, insure the supply of modern machinery to the energy and raw materials sector as well as to the agriculture and food industries, and on the other hand, include the so-called support branches which determine the technological standards for the entire industrial sector--including also machine manufacturing itself.

Concentrating the financial and intellectual resources on the selected areas of cooperation in multilateral international specialization is a regularly recurring topic in the practice of cooperation. Implementing it is not easy. Innumerable objective factors exert their effects in a direction contrary to this. That is, the contradiction between the relatively limited means available in the countries, and the otherwise justified demands of the individual branches have to be resolved first on the national, and then on the international level. Besides this, the operating mechanism and system of institutions of international specialization and cooperation is, if possible, even more complicated than those of the producing and raw material industries, and present many problems awaiting solution. Such are, for example: standardization; creating links between scientific-technological cooperation and production specialization, and acceleration of the application of the scientific-technological achievements; development of prices to insure the economic interests necessary for the broad based development of direct relationships between the producing and consuming enterprises of the member countries, as well as among the research and development institutions; recognition of higher quality and modernness in the prices, etc.

The question is rightly asked whether there are any assurances and if so, what are they, for implementing the cooperation of which only the main characteristics are outlined here; won't the cooperative goals worked out and coordinated with a lot of work just remain on paper? The formats and alternatives of the assurances have, for the most part, been already developed by the cooperation's system of means. Part of these have worked out well, but other parts--according to the judgment of the participating countries--lags significantly behind today's requirements and need comprehensive improvements as soon as possible.

The area of the system of means which can be considered best developed is planning cooperation. Coordinating the plans is one of the oldest forms of cooperation, and with the passing of time it has become enriched by several new elements. Not only did the circle of topics to be coordinated expand, but in some sense their approach has also been modified. Nowadays even bi- and multilateral economic policy consultations take place during the course of plan coordination, multilateral and bilateral agreements are being worked out and signed in parallel with each other. Plan coordination forms the foundations of medium range trade agreements, the details of which are specified in yearly records. One of the big problems at the present time is: how can the plans be coordinated in such a way that they promote more effectively than before the structure modifications in the economies of the CEMA countries? At the same time a practical problem is that in recent years the signed contracts

have not been precisely fulfilled. For this very reason, firming up the contract discipline is on the agenda, together with the further development and implementation of the appropriate legal sanctions.

In the over-all sense the practice of plan coordination can be considered as positive. In the present situation this form of cooperation also contributes to the reliability of cooperation. Through this the cooperation with the CEMA countries is an important stabilizing factor of the economies of the countries.

The system of the economic means of cooperation and its growth can point to lesser results. The directions specified in the complex program adopted in 1971 have been pushed into the background. The monetary functions of the common currency, the transferable rubel have not been fulfilled, and the lack of this affects the real sphere of cooperation just as unfavorably as [it affects] the areas of sales themselves. Thus, among other things, not much has happened in the implementation of actual multifacetedness, or in the credit maneuvers conducted in transferable rubels, etc. The method of establishing the exchange rates of transferable rubel to the convertible currencies or to the currencies of the member countries is rigid, it does not flexibly follow the actual changes in the purchasing powers of the currencies. The appropriate measures have already been worked out for these areas also to catch up, but their implementation is progressing slowly. Thus the cooperation continues to have to do without the favorable effect of the price and currency conditions on increasing mutual merchandise trade, the efficiency of cooperation, on increasing clear economic sight, on the implementation of economic incentives, etc.

8584

CSO: 2500/211

INTERNATIONAL AFFAIRS

BRIEFS

YUGOSLAV ALUMINUM TO CSSR--The Aluminum Combine in Titograd will export 10,000 tons of calcined alumina, 4,000 tons of primary metal, and 5,650 tons of aluminum products to Czechoslovakia according to an agreement concluded at the end of April. During 1982 the value of the aluminum combine's exports to Czechoslovakia, from agreements concluded already, will amount to \$44 million. This year \$24 million worth of goods will be imported from Czechoslovakia. The new export business of the combine will help to improve the foreign exchange balance of Montenegro. [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 May 82 p 2]

CSO: 2800/393

CZECHOSLOVAKIA

BRIEFS

VIETNAM-CSSR SHOE PRODUCTION VENTURE--Six Czechoslovak technicians from the 29 August Plant in Partizanske [Slovakia] have been assisting one of the largest Vietnamese plants in production of sport shoes. The Nha May Giay plant which has 800 employees began cooperation with the CSSR in 1980. Czechoslovakia then supplied the plant with 260 pieces of machinery. In 1981, one million pair of textile uppers for sport shoes were manufactured and shipped to the CSSR via Interlichter container ships from the port of Nha-Be. The shoes are completed in Czechoslovak plants. In 1982, two million of shoe uppers will be exported to the CSSR, as well as a number of sport shoes to the USSR and health shoes to Hungary. According to the leader of the Czechoslovak experts Mikulas Tomes, production has been hindered by lack of qualified personnel, irregular supply of electrical power, shortage of spare parts and erratic flow of materials. Tomes and Filomena Dodokova were joined by new replacements Maria Piterkova, Ernest Supa, Peter Vlcko and Stanislav Beliansky two months ago. [Bratislava PRACA in Slovak 12 May 82 p 5]

CSO: 2400/234

ECONOMIC SCENARIO FOR SECOND HALF OF 1982 PUBLISHED

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 28 Mar 82 p5

[Article: "Scenario to the End of the Year"]

[Text] The Planning Commission has completed work on a draft operating plan for the second quarter of this year and on the forecast for the latter half of the year. The operating plan for the second quarter will be the second plan in turn prepared centrally for the whole economy. At the same time it will be the final quarterly plan. The next operating plan is to be prepared for the whole latter half of this year. We are publishing below a scenario for the period to the end of the year. It will include information on the basic sizes of the operating plan for the second quarter and an initial assessment of the projected fulfillment of tasks throughout 1982.

During the second quarter of this year there are phenomena similar to those which defined the economic situation at the beginning of this year: Entirely different phenomena will also be in operation.

In extractive industry we should anticipate the favorable trends to continue. Things will go in a similar way in certain sectors of processing industry based on the domestic raw materials base. These branches of industry during the second quarter will feature production growth of 7-9 percent. The complicated situation in the electric-machine, electronics, textile, leather, and chemical industries, which are characterized by a high dependence on imports from capitalist countries will continue. In these branches of industry the 10-12 percent production decline will continue, but there will be some improvement as there are expanded deliveries of raw and other materials from the Soviet Union and other CEMA countries. Throughout industry the decline in production will amount to a few percentage points overall.

We must also count on grave difficulties in foreign trade and some minor improvement in domestic trade. In this latter area economic activity will be conducted under the conditions of the completed retail-price reform.

The forecasting of the situation during the latter half of the year must take into account, on the one hand, the continuing favorable trend in extractive industry and in the industries based on domestic materials and, on the other hand, the host of unknowns related mainly to the unpredictable network of financial relations with II payments area [capitalist countries] and the still unclear level of farm production.

These unknowns prevent our stating with an adequate degree of certainty the extent to which industrial production will improve. The initial assessment is that industrial production this year will be only about 2 percent below the 1981 level. The results of the harvests can alter this forecast greatly. On the other hand we are seeing the possibility of restoring overall market balance, if discipline is maintained in the realm of the population's cash income.

The plan for the second quarter and the forecast for the half-year must also take into account the fact that the process of influencing producers' behavior through mechanisms related to the economic reform being implemented. To this end all sorts of bureaucratic measures by the economic administration must be counteracted. The central economic administration will create conditions for discipline in the enterprises' financial economy.

Industry

The industrial enterprises will be divided into three groups, as the result of the supply situation related to the capitalist countries' economic blockade, the improved extraction of domestic raw materials, and the increased assistance of the socialist countries.

The first group consists of those enterprises which even during the first quarter of this year have exhibited growth and have real chances of continuing it during the second quarter and the latter half of 1982. These industries include: the coal industry, the nonferrous metals (copper, silver) industry, and the cement industry.

The second group consists of those raw-materials enterprises which during the first quarter exhibited unfavorable economic conditions but have the basis for production growth, owing to domestic raw materials. The sulfur industry and the timber and paper industry fall in this group.

The third group consists of those enterprises whose production activity has depended to a great extent on deliveries from the capitalist countries. This applies mainly to industries, for example, like the rubber, chemical, wool, and engineering industries. In this case, given the credit blockade and the exceptionally modest cash resources, it is not possible to count on a rapid recovery from the production decline, which may reach about 30 percent during the coming quarter. We must not become helpless over these phenomena. We must take advantage of the second quarter wherever it is technologically possible to accelerate the processes of substituting other sources of supply from domestic deliveries and of shifting imports from

capitalist countries and replacing them with imports from socialist countries, largely the USSR.

A number of planning decisions, moves by the enterprises, and actions by banks should help favor a rise in final production, mainly on behalf of the domestic market and export, along with reduced production of capital goods except for the means of production for agriculture. To the end that this reorientation may be accomplished, we should take advantage of the possibilities to be found in the methods of steering material supply.

The realization of these goals must be selectively supported using the operating programs.

The operating plan for the second quarter provides for a change in the product-type assortment and structure of production related to:

Reorientation of industry to favor greater cooperation with the socialist countries,

Greater use of domestic raw materials,

Restriction of imports from II payments area [capitalist countries].

The plan for the second quarter calls for increasing the supply of the means of production to agriculture and the food industry and a rise in the export of many goods.

As an example we can say that electric-machine industry deliveries to meet the needs of the nutrition program are being increased by 13.5 percent in relation to the first quarter of this year and that production of chemical fertilizers will be greater than the second quarter of 1981 by about 1 percent. As a result of the level achieved in the extraction of coal, there are possibilities of regular supply of fuel to the rural areas. The supply of cement to rural areas may run in similar fashion. It is anticipated that coal exports will increase by about 22 percent, while copper exports will increase by about 20 percent, silver exports will increase by about 8 percent, and so on.

The production of basic industrial products is estimated as follows:

Table 1	2d quarter 1982	2d quarter 1982
		2d quarter 1981
Hard coal (million tons)	43.5	108.6
Brown coal (million tons)	8.3	100.8
Coke from hard coal (million tons)	4.4	97.4
Electric power (billion kilowatthours)	27.5	103.0
Copper (thousand tons)	87.0	110.4
Silver (tons)	165	98.8
Cement (million tons)	4.5	98.0
Sawn timber, softwood (thousand cubic meters)	1,450	81.3
Sulfur (thousand tons)	1,150	87.1

Paper (thousand tons)	230.5	97.7
Cardboard (thousand tons)	51.5	92.5
Storage batteries (thousands)	438.5	
Automobile tires (thousands)	800	115.8
Truck tires, nonagricultural (thousands)	500	112.1
Tractor tires (thousands)	213	
Tires for farm machinery and equipment (thousands)	155	

Food Economy

The major problems in agriculture during the second quarter will concern the following:

Assuring on-schedule supply of necessary quantities of fertilizers for sowing and of pesticides, as well as spare parts, tires, and fuel for agriculture, because this quarter will be important in determining the crop levels and harvests in 1982;

Supply of certified seed and seed-potatoes;

Prompt execution of spring sowing, with attention to the need to expand the area of spring grain, in order to make up for the losses caused by the floods in some parts of the country;

Signing of contracts for an adequate amount of commercial crops, including sugar beets, and other crops in amounts adequate to meet the needs of the national economy.

It is estimated that during the second quarter the procurement of the basic crops will run as follows:

Procurement of livestock for slaughter will approximate 432,000 tons, which is 73,000 tons less than during a similar period last year, mainly because of the decline in the supply of poultry,

Milk procurement will be more favorable than during the similar period last year and amount to 2.6 billion liters, which is over 90 million liters more,

Grain procurement is presently the most critical problems for the whole economy.

Foreign Trade

Turnovers with I Payments Area [socialist countries]. It is anticipated that in 1982 the socialist countries will carry out deliveries to Poland consistent with the provisions of the trade protocols and the aid extended despite the fact that we will not meet our export levels. It is projected that during the second quarter of this year exports to countries included in I payments area will amount to 92 billion circulation-type

zlotys, but imports from these countries will reach a level of 107.6 billion circulation-type zlotys. Given the turnovers during the first quarter of this year, Poland's indebtedness to countries included in I payments area will increase from 13.9 billion foreign-exchange zlotys as of 31 December 1981 to about 17.5 billion foreign-exchange zlotys, that is, 270 billion circulation-type zlotys, at the end of the first half of 1982.

Turnovers with II Payments Area [capitalist countries]. Among the many economic restrictions which hit our country, the withdrawal of the possibility of obtaining credit in countries of II payments area has been the most serious for our economy.

Taking these conditions into account, we can see that commodity turnovers with II payments area during the second quarter are as follows:

Table 2

	Plan Billion Circulation- Type Zlotys	CPSG* Fulfillment in Percent
Exports	114.2	24.0
Imports	114.2	25.0
Balance	0	

*CPSG = Central Socioeconomic Plan

In exports to the capitalist countries, coal exports play an especially important role. It is projected that during the second quarter they will amount to 4.7-5 million tons.

This assumption contains great uncertainty owing both to seasonal coal-extraction difficulties and the broad drive undertaken by American coal concerns in Europe. In this connection we must reach for solutions to permit us to take advantage of our coal reserves in the production of other goods (such as cement, soda), which as a result could become exports and therefore a source of foreign currency. The effectiveness aspect of this operation may give rise to doubts. For this reason this must be a conscious choice based in every concrete case on an accounting of the losses and benefits, with attention given to the fact that for the whole economy the lack of the free foreign currency necessary to supply ongoing production is a grave limiting factor above all.

The most serious problems are to be found in the food area and the area of industrial items, goods of light industry and the household chemical industry.

The main problem with food is meat and meat products from grain. The forecasts for production and procurement of meat show that there are no possibilities for maintaining the current ration-card standards in coming months.

The adverse situation in the procurement and importation of grain is creating a threat to market deliveries of grain products and to the supply of fodder to agriculture. In addition, the current free-market price level on grain and the price level of breadstuffs area once more creating a price imbalance. The first signals are already coming in that this situation is causing people to buy up bread to use for fodder. It is also significant that given the new prices of flour and the current grain procurement prices, the production of breadstuffs has become unprofitable. In this situation it is becoming necessary to adjust prices. It is proposed that two or three basic bread types be set at the current price and that free prices be allowed on the rest.

In the industrial articles group, the greatest difficulties are occurring in goods of light industry and the household chemicals industry.

For light industry goods the main consideration concerns adult goods (shoes, textiles), because children's needs are given consideration in the operational programs. In household chemical industry it is true that there is an operational program and that there is rationing for the basic products, but the deliveries and standards are clearly inadequate. And here it is a question of the regulatory [rationing] influence of prices. These efforts should see that deliveries of standard goods be kept at regulated prices and that free prices are in effect on the rest.

Because of the introduction of the universal system of compensating for the rise in the cost of living, the balance between non-wage benefits which increase the employees' incomes and remuneration for work has been destroyed. The share of compensation for employees as a proportion of total remuneration during the second quarter of this year is 19 percent, but after we account for the payment of compensation for members of employees' families, it is 35 percent. This share during the latter half of the year will increase still further as the result of compensation payments for cost-of-living adjustments during the first half of the year. This will greatly upset the balance between payments directly connected to work and the remaining employee income and will thereby undermine the incentive function of work.

There is great probability of a process of a hunger for money beginning in the middle of the second quarter. This can represent an important factor in intensifying individual effort. At the moment it is difficult to make a precise accounting of the difference between the supply of goods in the various sectors of the market and the need for the population to spend a specific amount of money on the market of both food and industrial products and services. This phenomenon needs to be continually analyzed as a basis for the rational building of the wage system and the undertaking of measures aimed at protecting the population groups with the lowest incomes.

Alongside this it is necessary to prepare a conceptualization of the structure of family benefits and of pensions and retirement pay, with attention given to price adjustments.

Housing Construction

The opportunities which the outlays allocated in the plan created for housing construction are not being fully utilized. The housing construction plan specified in the CPSC at a level of 200,000 dwellings for 1982 may suffer a fulfillment shortfall of about 15 percent (a shortfall of about 30,000 dwellings in relation to the plan). The reason for this situation can be traced to the substantial shortages of finishing materials.

At the same time the levels of raw materials are being increased and are exceeding the housing construction tasks specified for the current year. Therefore, there is the possibility of greatly reducing the supplies of building materials this year, especially cement, and of beginning to build up the raw-materials levels for 1983's fulfillment, and at the same time of undertaking efforts to expand the pool of finishing materials.

Public Health and Culture

Despite the provisions for investment outlays for this purpose in the plan, in the area of social and cultural needs we are faced first of all with the threat that health service facilities may not all be built and that the decisions made to increase the production of books by 25 percent over the 1981 level may not be carried out.

The main reason behind the danger concerning the construction of public health facilities is the shortage of building and finishing materials along with the inadequate preparation of the local construction enterprises.

In order to increase book production by 25 percent, it is necessary to increase the deliveries of paper for that purpose by about 6,000 tons, despite the general national reduction by more than 75,000 tons in the production and import of paper, including 20,000 tons of printing and writing paper.

In this situation the execution of the decision which was made may bring about a reduction in the production of notebooks and other paper school aids.

Conditions for the Operation of the Enterprises

The first quarter of this year is a period in which we have in effect the principles of credit for economic operation similar to the principles in effect prior to the introduction of the reform (automatic providing of credit). This means that the basic instruments for financial influence which force rational management and determine the structure of production in the enterprises have not been fully set in motion yet.

Beginning with the second quarter of this year, the principle of providing credit automatically will cease to be in effect. Credit will be extended on the basis of an analysis of whether the enterprises are able to repay it. In establishing the amount of credit to be awarded, the banks will also be directed by a system of preferential treatment in connection with the general economic and social needs expressed in the government operating programs.

In order to have a financial influence on enterprises, it is anticipated that the Polish National Bank and the Food Economy Bank will cause all the departments to enter into credit agreements under new conditions with the enterprises. At the same time the central offices of the banks and the ministers involved are assessing the enterprises' production capacities in keeping with the decision of the Economic Committee of the Council of Ministers on changing the profile and limiting or stopping production in connection with difficulties in the supply of raw and other materials.

To Year's End

In relation to the period in which the targets of the annual plan for 1982 were formulated, changes in various directions impacting economic life have occurred, changes which could cause the anticipated results to be different from the sizes set down in the annual plan.

The forecast for material production during the second quarter and the latter half of 1982 anticipates that created national income in 1982 will approximate 3.86 trillion zlotys and will be about 500 billion zlotys lower than specified in the CPSG for 1982. The decline in created national income will occur mostly in industry (nearly 40 billion zlotys). In the other sectors of the national economy the deviations from projected fulfillment of 1982 tasks will be negligible. It is estimated that the national income index will approximate 94 percent compared to the 95 percent given in the CPSG.

It is anticipated that national income for distribution in 1982 will be about 7.7 percent lower than in 1981, while the CPSG anticipated a 6.9 percent decline in national income for distribution.

On the basis of the current information on internal and external factors we can say that certain symptoms are noticeable which may initiate the activation of the economy in certain areas during the latter half of 1982 and provide circumstances for slowing the recession trend and for beginning growth trends even in 1983. In order for these processes to begin, it is necessary not only to overcome supply barriers but also for the economic administration at all levels to try to make thrifty use of raw and other materials and to reorient production in the direction of an increased share of final products for the market and for export.

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CSO: 2600/465

SPECIAL CURRENCY EXCHANGE RATES TABLE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 26 Apr 82 p 7

[Text] Announcement of Exchange Rates Table No 17/82, effective 26 April 1982, by Stanislaw Majewski, president, Polish National Bank, Warsaw, on 26 April 1982.

I. Foreign-currency exchange rates in zlotys for countries of the first payments area [socialist countries] for commercial and noncommercial payments in Table No 6/1982, dated 8 February 1982, remain unchanged.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank, and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,661.80 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

[Table on following page]

Exchange Rates Table No 17/82

Country	Curr Symb	Currency	Foreign Exchange		Money		Average
			Purchase 3	Sales 5	Purchase 1	Sales 2	
Saudi Arabia	771	1 rial***	24.54	24.78	--	--	24.66
Australia	781	1 Austral.dollar	88.29	89.17	86.96	90.50	88.73
Austria	786	100 schillings	496.12	501.10	488.64	508.58	498.61
Belgium	791	100 francs	184.62	186.48	181.84	189.26	185.55
Denmark	792	1 kroner	10.27	10.37	10.11	10.53	10.32
Finland	780	1 markka	18.18	18.36	17.90	18.64	18.27
France	793	1 franc	13.40	13.54	13.20	13.74	13.47
Greece	724	100 drachmas	132.68	134.02	115.00	136.02	133.35
Spain	785	100 pesetas	79.16	79.96	77.97	81.15	79.56
Holland	794	1 florin	31.41	31.73	30.94	32.20	31.57
India	543	100 rupees***	894.69	903.69	--	--	899.19
Ireland	782	1 pound***	120.67	121.89	--	--	121.28
Japan	784	100 yen	34.22	34.56	33.70	35.08	34.39
Yugoslavia	718	100 dinars	172.16	173.90	149.22	176.49	173.03
Canada	788	1 Canad.dollar	69.05	69.75	68.01	70.79	69.40
Kuwait	770	1 dinar***	292.84	295.78	--	--	294.31
Lebanon	752	1 pound	17.51	17.69	17.25	17.95	17.60
Libya	651	1 dinar***	284.14	287.00	--	--	285.57
Luxembourg	790	100 francs	184.62	186.48	181.84	189.26	185.55
Norway	796	1 kroner	13.78	13.92	13.57	14.13	13.85
Portugal	779	100 escudos	116.85	118.03	101.28	119.79	117.44
FRG	795	1 mark	34.83	35.19	34.31	35.71	35.01
United States	787	1 dollar*	84.19	85.03	82.92	86.30	84.61
Switzerland	797	1 franc	42.75	43.17	42.10	43.82	42.96
Sweden	798	1 kroner	14.14	14.28	13.93	14.49	14.21
Turkey	627	100 pounds	55.68	56.24	48.26	57.08	55.96
Great Britain	789	1 pound**	148.12	149.60	145.88	151.84	148.86
Italy	799	100 lira	6.34	6.40	5.49	6.50	6.37

*Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.

** Valid also in clearing accounts with the following countries: Nepal and Pakistan.

*** The Polish National Bank does not purchase money in these currencies.

9295

CSO: 2600/545

PROBLEMS IN MARITIME, FISHING INDUSTRIES REVIEWED

Maritime Economy Facing Difficult Test

Warsaw ZYCIE WARSZAWY in Polish 22 Apr 82 pp 1, 2

[Text] After 10 months of its existence the greatest concern of the Office of Maritime Economy (UGM) is to render to enterprises such assistance as will enable them somehow to ride out the crisis.

With the present state of Polish Foreign Trade and the level of industrial production, as well as the difficult situation on the international market, this will not be easy at all.

The Polish Ocean Lines, which until last year were still yielding profits, will at present require enormous subsidies. The fishing enterprises, which, due to various circumstances, are catching less and less fish, must also be subsidized. The transshipments in ports have declined to the level of the beginning of the 1970s, and the white fleet, because of the high cost of fuel, will be partly sold. Polish Baltic Shipping (PZB) found itself on the brink of complete financial ruin.

Thus, as follows from the information obtained on 21 April at a press conference in the UGM, after a year, 1981, which, compared to other branches, was not bad, at present many maritime enterprises are facing a real test. The more so because in the first quarter of 1982 the majority of them obtained worse results than in the same period of the past year.

The value of the services of the Polish fleet and ports in the first quarter of 1982 amounted to only 83.9 percent of the value of the first 3 months of 1981. For the fishing industry this index equals 95.2 percent, but in this period the prices of fish had actually jumped on the average by 320 percent.

The transshipment of goods in ports has declined in the past year, namely that of coal, general cargo, grain (only 45.5 percent of that in 1981), and that of other bulk goods, as well as that of crude oil. There was a tangible drop in deep-sea fishing and only the Baltic Sea partly supplemented our fare, but even that was hardly perceptible on the countrywide scale.

Looking for a way out of a deadlock, the ports sought help in extending a transit from Czechoslovakia and Hungary. The corresponding agreements were concluded in this matter. On the other hand, the fleet was compelled to look

every now and again for new foreign contracting parties. At present the foreign freight constitutes 60 percent of the overall freight carried by the Polish Ocean Lines. This means that from month to month Poland has less and less general cargo for sale, which is a basic freight for a cargo liner.

At present, from among various problems with which the maritime economy is at grips, the most controversial is, however, the way of management of what really and always is available to us, that is, fish from the Baltic. After abundant catches of sprat and quite good catches of cod, now in turn we are being faced with an unbelievable bumper catch of herring. From 22 April the ports are literally filled up with this popular fish. The cutters supply 1,300-1,400 tons a day, whereas the capacity of processing facilities on land fluctuates within 600-800 tons.

Unfortunately, for the time being no great benefit will be derived from this herring harvest, a considerable part of fish caught must for reasons of hygiene, be frozen or salted. Some of it, as far as possible, is also sent in ice up country but these amounts are not large.

At present, in order to process and properly utilize the fish caught, some Baltic enterprises are chartering factory ships which receive the freshly caught fish while still in the Baltic. However, such practice is rather costly and will be unacceptable to Baltic fishermen in the future. For the time being, however, eight floating processing plants do help the inadequate land facilities.

Beside the current problems confronting the enterprises, the conference also discussed the progress in the implementation of economic reform. It appears that in the maritime economy, just like in other sectors, there are still many matters that have not been settled and the whole process is proceeding at a pace that cannot be considered as satisfactory.

It is also notable that representatives of the UGM while speaking of matters connected with the reform devoted much less time to procedures aimed at increasing the productivity and effectiveness and economical management, while speaking about matters which should be settled or were already settled "on the outside" so that maritime economy could function.

Not denying that it is important to solve these formal administrative problems, it should be noted however that this is not enough to further the aims of the present economic reform. Let us hope that even if the Office of Maritime Economy had overlooked the whole matter at least the enterprises keep it well in mind.

New Office--Old Problems

Warsaw TRYBUNA LUDU in Polish 22 Apr 82 p 1

[Text] Three full hours of discussion and many questions have generated the press conference which took place on 21 April at the Office of Maritime Economy [UGM]: what is the outlook of the Baltic and deep-sea fishing, that is, how much fish will figure in our fare and what will be the future and present outlook of maritime navigation, how will we finance the Sea Festival, and how....

Unfortunately, it is still too early to answer the question that is most important for the maritime economy, whether it will be able in its new organizational form to take its proper place in the hierarchy of the problems facing the country, and whether at last we will become a "maritime state."

The young office only recently organized its work. In February, the inaugural meeting took place of the board of the UGM, at which in the program of its work in the current year there was included among others the appraisal of materials being prepared in accordance with a decision of the Ninth Extraordinary Congress of the PZPR for the Central Committee Plenum concerning the maritime policy of the state for 1982-1985 and, in perspective, until 1990.

A few other immediate problems: implementation of social agreements and demands of work forces in the sector of maritime economy, the ultimate outlook of the reform in this sector, protection of the marine environment from pollution, the activity of repair shipyards, and others.

Current problems are superimposed on all this. The first quarter of the present year, against the background of the past year, showed a decline in fish catches, in value terms, by about 5 percent, taking into account the increase in prices by 39 percent. The ocean-going fleet transported 94.5 percent of the past year's freight in the first quarter. The transshipment in the ports declined: by over 20 percent of coal, by 17 percent of general cargo, by 5 percent of other bulk goods, and by over 54 percent of grain. The crisis did not spare this sector either.

Will it be better, are there any prospects for improvement? This question is most difficult to answer. Much depends on the men that work in the sector, and much on the office itself, but also not a little depends on funds that will be allocated for the expansion and modernization of the fleet, ports, background facilities, fishery, that is, freezing plants, processing plants, and transport. And what already exists still includes reserves.

Finally, a touch of optimism. The recently concluded agreements on transit through the Polish ports of Czechoslovak and Hungarian goods points to a revival in this field. Their increase will amount during the 5-year period to, respectively, 40 percent from Czechoslovakia and 150 percent from Hungary. Likewise there will be a tangible increase (130 and 100 percent) in the carriage of goods from these countries on Polish ships.

1015

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FAILURE TO ADOPT INNOVATIONS HINDERS ECONOMIC PROGRESS

Bucharest ERA SOCIALISTA in Romanian No 5, 5 Mar 82 pp 12-15

[Article by university professor Dr N. N. Constantinescu: "Incompletely Used Opportunities for the Intense Promotion of Technical Progress"]

[Text] The labor-value theory demonstrates that in our times, of a profound scientific-technical revolution, the most powerful work, the most highly creative of economic values is the work in the field of basic research and the work done by inventors. For that reason, in all the advanced countries there is a true pursuit of scientific researchers who are capable and inventors and innovators, people who are given the broadest opportunities to develop their creativeness, while scientific research and technical innovation represent one of the most important functions of the large modern enterprises. Since the work of the productive researchers and inventors is not just of a high creative capacity for economic values, but also capable of intensifying the work of those who apply and use their results, in the developed countries there is a continuing decline in the time between the moment of scientific discovery or invention and the moment of their practical application in production. Finally, for the same reason, within each group of enterprises there is a pursuit of the quickest possible internal dissemination of the results of technical progress.

The opportunities in a national economy or an enterprise to get through the difficulties on the world markets are best assured in those fields that have basic and adequately applied scientific research and inventions and innovations, in other words, when creativity is used. He who forgets this fact is constantly defeated in the struggle with competition, driven out of the market, and remains forever further behind.

Achievements and Problems

In light of the practical needs, it is necessary for each economic unit and each department to have a strategy for the development of production based upon a strategy of well-thought out and realistically applied scientific and technical progress that is in accord with the needs of the domestic and international markets as seen from a dynamic point of view. The promotion of production on the domestic markets and, especially, the promotion of exports are indissolubly linked to the energetic stimulation of scientific research and technical and economic creativity and to their application to production with a maximum of

rapidity and efficiency. This is even more important since, along with the improvement of planning in our country, the principle was adopted that the drawing up of the economic plan will be preceded by the elaboration of a forecast of scientific and technical progress, as well as the principle of thoroughly studying, in advance, the domestic and foreign markets in order to successfully avoid the production of products that do not correspond to the actual economic needs of the market.

In this context, the 12th RCP Congress adopted the Program-Directive for scientific research, technological development and the introduction of technical progress during the period 1981-1990 and the main directions through the year 2000. The program is directed towards the expression of the technical-scientific revolution in all fields of activity, the growth of the role of science in modernizing the national economy and all social affairs and in managing society, the ever closer bonding of research and production and the accentuation of the contribution of Romanian scientific creativity to our country's multilateral and dynamic progress and to the enrichment of the treasury of world knowledge so that the current decade will truly become the decade of science, technology, quality and efficiency.

As is known, our party's and state's policy of promoting scientific and technical progress has given numerous and valuable results. A vast network of research was developed, investments were completed to an ever greater extent on the basis of the newest technologies, numerous products were created that were of the highest technical levels and there was a sustained concern for updating products. Where technical and technological progress is promoted remarkable efficiencies are obtained. At the Brasov Truck Enterprise, for example, in 1981 for each leu spent (including payments to the inventor) for an invention or applied innovation there was an average income (in savings) of 30 lei annually. One of the inventions, in being applied, even brought in an annual income of approximately 1,500 lei for each leu spent. Thus, practice demonstrates once again that investments in judiciously applied inventions and innovations constitute the most profitable activity.

As can be seen day-to-day, Romania has a population with a spirit of high creativity. Statistics also confirm this fact. From the point of view of the number of submissions to patent inventions made by the citizens, in 1980 Romania was in 16th place in the world. If we take into consideration just the 1976-1980 period, we see that 18,034 patent requests were recorded, with applicants from Bucharest representing nearly one-third, or 5,538, which shows the role of the capital in this process.

A deeper analysis of the facts shows, nonetheless, that from the point of view of using inventions through the patent process the spirit of creativity is still insufficiently used. First of all, we are talking about the fact that the 16th place that we have in the number of patent requests lies behind some countries that have a smaller population than Romania. As a result, from the point of view of the number of patent requests per 100,000 inhabitants, Romania falls to 24th place. And, this right away calls attention to the need to find the causes of this shortfall and to seek solutions.

Second, an analysis of the 18,034 Romanian patent requests during the period 1976-1980 shows that throughout the last five year plan the number of patent requests throughout the country fell as follows: 1976 - 4,560; 1977 - 3,909; 1978 - 3,348; 1979 - 3,620 and 1980 - 3,297. If we consider the first 10 months of 1981, where we have data, we find merely 2,620 requests, which does not show a change for the better.

Third, if we compare the number of requests received and the number of patents granted during the period 1976-1980, we note that for the whole country merely approximately two-thirds (or 12,100) led to the granting of a patent. In Bucharest during the same period, of the 5,538 requests only 3,537 patents were granted, in other words the ratios were similar. This fact stresses, on one hand, the welcomed exigency of the State Office for Inventions and Trade-marks and, on the other hand, also shows the need to more actively support inventors through enterprises, as well as through the organizations that are responsible for the prior documentation by the inventors. At the same time, it should be mentioned that the extremely rich documentary records of the State Office are consulted only to a limited extent.

For their part, numerous engineers and specialists in the factories complain about articles that are too general that are published by certain specialized magazines (for example, CONSTRUCTIA DE MASINI). With regards to the technical offices, that used to be concerned with the problems of inventors and innovators, they have disappeared from numerous large enterprises. Just how useful they can be in supporting the creative spirit is shown by the technical offices at some of the enterprises in Brasov which, among other things, also systematically put out their own technical information bulletins written by the workers in these factories.

Fourth, and this is a problem of special seriousness, we find that a very large number of current patents are used only approximately 45 percent. Left unused, approximately 3,000 patents have come to be outdated and another approximately 4,000 patents, the vast majority of them being experimented with and approved by the technical organs in the ministries in order to be used in production, are still today unused. Probably these authorities are also waiting for these patents to become outdated. And, it should not be forgotten that all this is happening under conditions where many inventors do not want any material compensation, but ask merely for the application and extension of their inventions.

Fifth, patents of great value, that permit the achievement of certain new top-quality production capable of getting through the difficulties on the world markets and producing for us an exceptionally profitable sales, are not applied year after year. Thus, while the production of black-and-white televisions was continuing out of proportion with market demand, an invention like a Roentgen device that reduces radiation 50,000 times compared to the current devices and one we could have marketed among the first on the world market waited in vain, since 1976, to be put into production.

Sixth, we note not only a poor introduction of patented inventions into production, but also a slow spread of the technical progress generated by them in the branches where they were introduced. Thus, there are approximately 2,000 patents whose application began long ago, but whose solutions have not yet to date been extended to all those areas where they should be and where it is possible.

An approximate idea of the proportions of the losses in the national economy due to the failure to apply the patented inventions we have available suggests to us the fact that, according to modest calculations, during the period 1976-1980 applied inventions brought about an economic efficiency of 8.8 billion lei. And, let us keep in mind that this efficiency took place under conditions where, as has been seen, the results of the applied inventions were not always extended everywhere it was necessary.

These losses grow even more if we keep in mind that also in the area of innovations the situation is similar to that in the field of inventions and their application. Thus, if we take as an example one of the largest factories in Brasov, one cannot but find that in 1971 there were 720 innovations, in 1973 only approximately 100 and in 1981 only 144.

The result of what has been shown here is that the problems of promoting technical and scientific progress in production has taken on an exceptional acuity. This acuity will continue to increase due to the energy crisis and the crisis of certain raw materials, as well as the ever more furious sharpening of competition on the world market. The task presented by the 12th RCP Congress that the current decade will be a decade of technical-scientific revolution and efficiency requires a maximum mobilization of creative forces and their immediate use in practice.

Causes and Opportunities

What are the causes of the still unsatisfactory number of patented inventions (as well as innovations), of the failure to apply in production a considerable number of inventions that we have, of the slow and unsatisfactory extension of those inventions whose application has already begun and of the failure to use the creative capacities for updating products in the available and necessary proportions?

First, we feel it is necessary to give attention to several more prevalent causes: in some enterprises, the insufficient support for the innovators and inventors by the respective managements and public organizations; some violations of ethics, with all kinds of authoritative figures in enterprises and centrals being listed as "coauthors" of inventions and innovations (it is true that this fact is not admitted by a single management in the economic units, but is very often invoked by workers and engineers); the insufficient material stimulation of the inventors and innovators; the fact that some specialized research institutes which receive patent files draw up reports that purely and simply serve no purpose and do not respond, either because they are not prepared or

because the deal with the problem without any interest; in addition to these factors, we can also add the insufficiencies of the information and documentation.

The causes are not beyond elimination. The problems of developing creativity in school and the problem of encouraging and more powerfully and systematically supporting the inventors and innovators, as well as those problems of an ethical nature, can be solved by increasing the efforts of all the organisms involved, under the leadership of the party organs. In any case, it is necessary for the work in this field to be improved and to be substantially intensified.

At the same time, in my opinion, it is necessary to make certain revisions to the current regulations in the direction of strengthening their stimulative nature, including in the direction of rationally simplifying the means of determining and granting material compensation to the inventors. Until then, however, the following phenomenon must also be analyzed. The current laws have certain provisions which, if they are taken into consideration in a practical manner, permit a material stimulation (in addition to an ethical one) for the inventors that are capable of giving much greater results than has been obtained to date. How can we explain then the opinions of numerous inventors and innovators about a lack of material incentives? Why, according to some findings, are only approximately 25 percent of the inventors whose inventions are used given material compensation?

An investigation into realities shows that the basic defect lies in the violation of the law's provisions. Article 37 of Law No 62 of 1974 regarding inventions and innovations expressly states that the inventions that are used in the national economy are morally and material compensated for, with the granting of bonuses and other monetary compensations being done "according to the post-calculated economic and social advantages" and that "the size of the compensation that is to be paid for each invention is approved by the National Council for Science and Technology and the Ministry of Finance, based on the proposal of the socialist organization holding the patent and with the notification of the central research institutes, the academies of science or the central higher organ. The payment is made by the socialist organization in which the invention is used from the effective savings obtained by using the invention, as calculated annually on the basis of outlined norms." And, it was found that numerous enterprises do not make a post-calculation of the results, for the reason that it is difficult or that it has been delayed, and, in this manner, the payments are practically not made. In other cases, the approvals come only after long delays, a fact which also has a negative influence.

The conclusion can be none other than that all the leaderships of the economic units and ministries must take the necessary measures to urgently apply the legal provisions regarding compensation for inventors, especially since the law states, in Article 38, that "the period of compensation can be 5 years at the most."

The effective adherence to the law with regards to compensation and the firm elimination of bureaucratic practices that dominate in this area would have the effect of stimulating the innovative spirit among the ranks of the workers, technicians, engineers, scientific researchers and so forth. Also contributing along the same lines, with great efficiency for the economic units and the overall national economy, would be the regular drawing up by each enterprise of certain lists containing priority subjects for themselves that would be kept in mind by the inventors and innovators, at the same time specifying the specific assistance that they would pledge to offer these people who are involved in the solution of these problems.

In powerfully stimulating the inventive spirit and increasing the number of valuable useable patents, an important role is designed to be played by the granting of certain substantial funds for basic scientific research and applied and development research, keeping in mind that these funds are productive to a high degree and the results of the research activities that are put to use are to be balanced by the incomes that highly and massively repay the funds that were spent, being among the most profitable activities. Basic research itself, a factor that opens new paths and without which progress is limited, if not impossible, could thus come to be, without forgetting that it must be treated as an long-term investment, financed from the economic results of development and applied research. On the other hand, in order to better correspond to the needs for the real progress of the economy as well as the development strategy of each branch or sub-branch, it would be good for the research institutes - and each time this is practiced it proves efficient - to be transferred wherever possible to the centrals and enterprises that are similar in nature or grouped according to centrals, pursuing applied and development research, but also basic research. This arrangement should not, however, be understood as a dogma. Wherever and whenever it proves more efficient to use another means of organization, we must adopt the form that gives the best results. Higher education is, for example, capable of producing very good results in basic research.

No matter how the technical-scientific research institutes are organized, it is necessary to establish criteria for a more realistic evaluation, accompanied by better stimulation, of their creative activities. This is the current situation in capitalist countries like Japan, England, West Germany and the United States and in socialist countries like the Soviet Union, East Germany and Bulgaria. At the same time, we are also speaking of the number of inventions stemming from each 100 research subjects that are completed. The effective use of this indicator, the number of patents on inventions from each 100 completed research subjects, would also be very useful in Romania. We must also, however, keep in mind here the international level attained for this indicator. In the developed countries, for example, 70-80 inventions per 100 completed research themes is very good, 50-60 is good, 30-40 is satisfactory and under 30 is insufficient. In Romania, unfortunately, although there are commendable exceptions, the number of these inventions usually varies between 9 and 20 percent of the completed research themes, which speaks for itself about the unsatisfactory state of affairs.

Another question that we must reflect upon is that of the slowness with which inventions and innovations are introduced into production. The causes here are also of two types: some deal with the failure to adhere to current laws and the others require certain legislative improvements.

Numerous leaderships of economic units do not know, know incompletely or know, but do not adhere to the provisions of the 1974 law regarding inventions and innovations, as well as the provisions of the planning law which permits the inclusion in the plan of the use of inventions for the entire year. At the same time, to date not a single economic unit leadership has been called to task under the provisions of the law for the failure to use invention patents. Here is what Article 77 of Law No 62/1974 says: "Persons with leadership jobs in the socialist organizations are required to take measures to identify and protect inventions by using patents, and to design, experiment with, apply and use inventions and innovations. The failure to carry out the requirements listed in the preceding sentence is dealt with through administrative, disciplinary, material, civil or criminal channels, as the case may be. The socialist organizations will recover damages from the guilty parties in accordance with current regulations." Should not the law be respected in the interest of increasing the efficiency of production? Similarly, it is necessary for the trade unions to also become more active in this direction. Article 75 of the law on inventions and innovations says: "The General Union of Trade Unions in Romania leads the mass movement of inventors and innovators and organizes, in accordance with its attributes, a public review with regards to inventing and innovating activities."

Without a doubt, the more powerful stimulation of technical progress in economic units would be very greatly helped if, in addition to the inventor, in one way or another those persons who cooperate in the use and extension of the invention in production were also provided incentives. It should be stressed, however, that unfortunately in numerous enterprises, for bureaucratic reasons, they do not even apply the legal provisions calling for the material compensation to be given to those who are responsible for real savings in raw materials, fuels and energy, which has a negative influence upon efficiency as well as specific consumption levels - levels which are many times high compared to international standards. It is true that in this direction a role is also played by the fact that the 1974 law did not consider the problem of rationalization. This is also the source of the problem that currently rationalization is not compensated for, which has led to a noticeable weakening of concerns in this direction.

Technical, Ecological and Economic Progress

The promotion of creative work and, on this basis, of technical progress requires ever more to take the fact into consideration that technical progress must lead both to ecological progress and economic progress. The machines, motors, installations and technologies that pollute and that degrade the natural environment bring losses to the national economy which, many times, can be exponential in nature and irreparable. In this manner, they seriously

burden the costs of the national economy and "hurt" the national income, without mentioning the suffering of the people. For that reason, the efforts to design, produce and use non-polluting equipment and technologies should be placed in the center of attention. A technical or technological achievement represents real progress if it brings about savings in social labor (by reducing the effort needed for a unit of useful effect and by increasing quality). For over a century, science has pointed out that "for a new production method to prove itself as a method for really increasing productivity it must, as a result of using fixed assets, impart to each item a smaller value than the value that is saved as a result of reducing the actual labor. In other words, this method must reduce the value of the item. It must do this, naturally, even if, as happens in some cases, in creating the value of the item, not counting the additional portion stemming from the use of the fixed assets, an additional portion of the value also comes in which represents an increase in quantity or an increase in the costs of raw materials and auxiliary materials."* Additionally, in our times, we must add the savings in materialized labor to the savings in actual labor.

The concern that technical progress will also be an economic progress cannot but have favorable consequences for the updating of products. Many times, however, new products are more expensive than the old ones because they are more costly. In this case, certainly, the stimulation to upgrade products can be done through a product price policy that makes prices higher in the beginning, when the product is completely new, with a slight reduction after its introduction in order to stimulate its use, and, finally, a strong reduction of the price when the products enters a period of decline, which will push the economic units to make a new product. Nonetheless, if the creation and introduction of new products are also accompanied by the introduction into production of technical and technological progress that is capable of reducing the social labor per unit of useful effect, then, or in any case frequently, it is no longer absolutely necessary for the new product to be more expensive than the one it replaced, and, sometimes, it can even be less expensive.

In light of the requirements of the new economic-financial mechanism it seems clear that it is necessary to think in the new spirit of the means of promoting scientific and technical progress in economic units on the basis of the principles of worker self-management and self-administration, a way of thinking design to powerfully stimulate the growth of economic efficiency in all activities. In this context, it is necessary for the economic unit to have an internal economic impetus that will cause it to "run" after new technical developments and to show initiative and an untiring offensive in order to stimulate scientific research and the introduction of new technology, inventions and innovations into production. This will be an impetus that will constantly pursue the updating and improvement of production according to social needs and market demand and that will use as much as possible domestic reserves and, along with this, systematically

* K. Marx, F. Engels, "Works," Vol 25, Part I, Politica Publishing House, 1969, p 273.

improve economic and financial performance. Only in this way will we eliminate the current situation where most economic units are pushed from without, especially through political-administrative paths, in order to promote technical progress, to use inventions, to update their products and to use their internal reserves.

The result is that a central problem in this field is that of changing concepts in the economic units from the ground up regarding the carrying out of production and services in the direction of pointing them to a greater degree towards the spirit of innovation and efficiency, effectiveness and timeliness, and competency and economic courage. A small country like Romania, with limited resources and whose strong integration in the world economic circuit is an objective necessity, is, because of its situation, required to use its full potential for scientific, technical and economic creativity, combining the selective strategy of scientific research, innovation and technical progress with the selective economic strategy in such a way that the first will sustain the second and permit them to break through the difficulties encountered on the world market under the best possible conditions. It is not worth penetrating a market with a single product: you must maintain it and expand your positions. And, to do this, scientific research and the concern for the rapid promotion of our own scientific and technical progress in production are essential. In other words, we need more initiative, more courage, more timeliness and responsibility and more creative imagination. The time factor is merciless!

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POLITICAL CONTENT OF ECONOMIC-FINANCIAL SELF-ADMINISTRATION

Bucharest ERA SOCIALISTA in Romanian No 5, 5 Mar 82 pp 16-18

[Article by Alecu Al. Floares: "The Political Content of Economic-Financial Self-Administration"]

[Text] In essence, self-administration involves the ability of units to cover their expenditures from the incomes that they make and to make a profit from which to provide funds to society, for the development of their own units and as material incentives for the workers. In this regard, it is the requirement of the units to achieve physical production on schedule and in the variety and within the established parameters, to stay within consumption norms and the established expenditure levels and to honor in an exemplary manner all contracts. In the final analysis, they must administer the material, financial and human resources entrusted to them by society with a high spirit of communist and party responsibility.

As is known, each year's plan - including the 1982 plan - is based upon material and financial balance sheets that are rigorously drawn up. As a result, and this is also well-known, any failure to achieve an indicator may produce, and most frequently does produce, perturbations that spill over in chain reaction by nature of the processes generated by the division of labor. Finally, the new quality of life - to which our society dedicates all its efforts - requires a new quality of work in all sectors and at all levels.

The superiority of the new economic mechanism lies precisely in its ability to use principles to stimulate the indicators and categories that it is promoting and in the mobilization of resources for the purpose of carrying out the established objectives. It also creates an economic framework that corresponds to the political and democratic framework in our country for focusing all thoughts and actions towards the production of material and spiritual goods, services and activities specific to the socialist life style of a country having an average level of development - a goal that Romania has proposed to achieve by the middle of this decade.

Expressing the political content of the new economic mechanism, the experience accumulated over the years of its application, basically within the framework of worker self-management, shows that what is essential is the responsibility of each worker to understand and carry out his tasks and to participate

effectively and directly both in the substantiation and approval of the plan and in its achievement, as the sole way of improving the standard of living and raising Romania to the peaks of progress and socialist civilization.

The Value of Net Production - A Fundamental Indicator

By representing in the most direct manner the volume of the activities that are useful and that create goods in each unit, net production is the essence of the process of self-administration and self-financing. It expresses the contribution of the economic units to the creation of national income and the degree of covering certain categories of expenditures, especially those related to salaries, constituting the source of the enterprises' own funds, society's funds and the workers' incentives.

What should be stressed first of all is the fact that by influencing the size of the salary fund, the achievement of the planned net production and the salary fund, and the fulfillment of the "goods-production sold and paid for" indicator, we can see especially clearly the direct, immediate link between the personal interests of each worker and those of the enterprise and society overall. This is a fact that contributes to raising the level of the workers' responsibility in fulfilling the plan in all its details and, on a priority basis, for physical production by type and variety. This also explains to a good degree the increased concern of the work groups for increasing physical production and decreasing the costs involved and for spreading actions designed to ensure the incorporation of an ever greater amount of intelligence and creativity in the same product, to reduce dimensions and specific consumption levels, to improve functional parameters and to bring about the systematic growth of product competitiveness. All these find their results in increasing the value of net production.

The abandonment of the "total production" indicator and the promotion of the "net production" indicator have brought about changes in the concepts of the local decisionmakers in the restructuring of production. If up until not too long ago each management group was concerned for furthering the division of labor and cooperation, as well as for achieving certain large-scale activities that were big material consumers in order to obtain the largest possible total production, today the chief of a unit pursues the growth of the degree of technical fineness and the growth of the unit's own contribution to the production of each product. Such conceptual changes are also seen within Iasi County where the industrial enterprises are moving away from assembly activities, such as those at "Nicolina", "Tehnoton", I.M.M.R. Pascani and so forth, to the mass production of a large number of items and the assimilation of a profusion of technologies.

The economic mechanism, the principle of self-administration and the "net production" indicator have also brought about changes in the workers' views, who, through their own initiatives, support the administration and use of the goods entrusted to them by society. Within this framework, there has been a broad spread of the workers' initiatives of the type: "Let us work one day each month with the materials that have been saved," "Each specialist must

solve at least one problem of a technological nature each year," "Not a single piece of equipment used below planned efficiency levels, not a single minute sitting idle," "Each reuseable secondary resource must become a raw material" and so forth. Such initiatives, which involved over 56,000 workers, were expressed in savings that exceeded, at the 1981 level, 22 million lei. The movement for inventions and innovations and the concern for attracting the masses into the act of technical creativity are experiencing constant growth. Just over the course of the recently concluded edition of the "Song of Romania" National Festival, as a result of this movement, we obtained an increase in production of approximately 600 million lei. Last year, over 720 projects of mass technical-scientific creation were resolved, which involved the participation of 16,000 workers, achieving an economic efficiency of over 60 million lei. The group of measures undertaken brought about a growth in the proportion of new and redesigned products in the total amount of goods-production for the last five year plan from 18.2 percent in 1977 to 46.3 percent in 1980, while in 1981 it rose to 19.4 percent, exceeding each time the planned levels.

In the industrial, transport and agricultural enterprises in Iasi County, there is a broad echo of the "4R Movement" - recovery, reconditioning, re-designing and reusing wastes, secondary products, used parts and so forth. This movement is permanently supported in the local newspaper FLACARA IASULUI, as well as through the means of mass political work.

The assimilation of certain items and technologies that were imported in the past have positive effects upon the volume of net production and, implicitly, upon the reduction of imports. In order to stimulate these actions, expositions showing imported items were organized in the majority of enterprises, showing the number and costs of these items. Such an exposition at the level of the overall group of enterprises in Iasi was put together in December 1981 by the county office of economic-social organization, Management personnel, specialists and researchers were invited to this exposition, and they discussed, in the presence of the county party committee secretariat, the problems related to using the best solutions. The effects are illustrated by the fact that items and technologies were assimilated that were worth 10.2 million hard currency lei and another 112.4 million hard currency lei worth are in the process of being assimilated.

A meritorious contribution to increasing the amount of creativity and intelligence incorporated in each process was made by the discussion on the problem of scientific research held within the framework of a plenary session of the county party committee last year. The measures adopted by the plenary session, the organization of the county research council and the specialized commissions and the permanent assistance given by the National Council for Science and Technology led to a more intense mobilization of Iasi County's research potential in the resolution of the problems that appear in the enterprises, as well as in the intensification of basic research.

Specific measures were taken regarding increasing the value of net production and profitability in the other sectors and branches of the county as well. Within this framework, there are also the actions dedicated to improving the poorly developed agricultural cooperatives, actions reflected in the improvements in the structure of the crops, the better use of the land and their own resources and the development of certain small-scale industries and cooperation activities with the large economic units. As a result, the number of poorly developed cooperatives decreased from year to year, with the economic strength of the units increasing noticeably.

Such examples show the climate for seeking, analyzing, studying and taking actions that were generated by the new economic mechanism, and the influence of the party secretary general's call for each activity and each product to become profitable. Comrade Nicolae Ceausescu stressed: "No enterprise can carry out normal activities if they are not based on the results of its own work, if it does not provide for not only its own current production, but also its development on the basis of increasing production, increasing net income and continuing to increase economic profitability."

For Iasi County overall, the value of net production has increased from 8,272 million lei in 1979 to 9,271 million lei in 1981. There was also an increase in the people's awareness, who now better understand that, in their triple capacity as owners, producers and consumers of all national wealth, they have the obligation and interest to firmly work for the systematic growth of production and the quality of this production, as the sole solution for raising the quality of life and the dignity of the new man in the socialist society.

The maturity of the devotion of the working class in this part of the country is also reflected by the manner in which they received the Council of State decree regarding the strengthening of order and discipline at work - a decree discussed with great responsibility not only in those units with continuously burning fires and that have installations which pose a higher degree of danger when in use, but in all enterprises. At "Nicolina", at the Metallurgical Factory, at the Antibiotics Factory, at the I.M.M.R. Pascani and at many other enterprises, the participants in these discussions sharply criticized those persons who came to work drunk, who brought alcoholic beverages to work, who were late or practiced unauthorized leave systems, who did not maintain their installations and machinery according to technical standards, who wasted materials and so forth. Such discussions were especially useful if we keep in mind the fact that in our county last year there were better than 1.5 million hours of "idle machinery" because of accidental repairs to basic machine-tools and specific installations. They were especially localized at the Bucium Mechanical Enterprise, the Construction Materials Enterprise, the "Victoria" Silk Weaving Mill and the Pascani Flax and Hemp Plant. Also in 1981, there were over 12 million unused man-hours, of which approximately 1.4 million hours were because of unjustified leaves and absences. Most of the absences, approximately one-fourth, occurred at construction sites, where the machine-tool use index is also less than modest.

The Importance of Continuing to Increase Profits

As is known, profit expresses, at the societal and enterprise levels, the level of achieving the tasks that stem from the application of the new economic mechanism, determining the content of the category of financial self-administration.

Through its functions - a principal resource for expanded production and the self-administration and self-financing of the enterprises, a means of incentives in the rational use of those goods entrusted to the enterprises by society, a basic indicator for measuring efficiency and an instrument to review the degree of using those resources from the national wealth that have been entrusted to the enterprises - profit involves an ever more profound and broader political content under the conditions of our society and the application of the new economic mechanism. We are especially referring to the fusion that is achieved, under the conditions of the new economic mechanism, between profits and the quality of work and quality of life. Thus, on the basis of profits, five types of funds were created to be at the disposal of the enterprises and the workers groups, with the quotas being increased as the plan tasks are exceeded. This naturally brings about an increase in the workers groups' interest in the economic units for increasing the size of this indicator. The recent draft law regarding the payment of salaries for work in the agricultural cooperatives extends this principle from the state units to the agricultural production cooperatives, today covering the overall national economy in a unified manner.

Promoting the profit-sharing system as a component of the new economic mechanism implicitly means stimulating a more profound commitment on the part of each worker for the achievement of the "goods-production sold and paid for" indicator and the improvement of the financial state of "health" of the enterprises. In this regard, we have seen the usefulness of the knowledge acquired in political education and the discussions in the general assemblies that allowed the workers to better understand the relationship between the delivery price and costs, and the fact that, under the conditions of certain solidly substantiated delivery prices, the essential source for achieving and exceeding the profit plan is the reduction of production costs. Such an understanding stems even more from the manner in which the economic problems of the enterprises are discussed. Within the general assemblies, the workers are interested not only in what they produce, but also the materials consumed in production, and they are profoundly concerned for finding the paths that will lead to decreasing expenses, to better using production, to eliminating all channels of waste and to more fully using fixed and financial and material resources. Within this framework, there was an increase in the degree of understanding the actions of economic laws, price policies and the necessary correlations between production costs, prices and retail sales prices for the people in a stable and efficient economy.

As is known, along with the application of the new economic mechanism the budget of incomes and expenditures was introduced into each enterprise, a

budget that serves as a triple instrument - for planning, for analysis and for reviewing the efficiency of activities. Even more. Within the framework of economic-financial self-administration, these budgets represent true direct instruments of the management process, synthesizing in monetary terms the economic and social activities of each unit and the manner in which financial and monetary resources are administered, and they represent the efficiency of the labor expended in general.

The experience accumulated to date in the economic units in Iasi County point out that it is necessary to continue to make efforts for the budget of incomes and expenditures to have a proper substantiation and to be corrected whenever the plan is modified, ensuring, over the course of the year, a perfect correlation with all the sections of the plan. With regards to internal activities of the enterprise, the existence of such an instrument at the level of each section and each shop allows the work groups to understand in detail the tasks that they have to fulfill, the resources entrusted to them and the means of administering them for the purpose of increasing their contribution to the development of each enterprise and, through this, all of society, and to the growth of their own incomes and general well-being.

The measuring of expenditures and incomes that are obtained brings about a climate favorable to understanding the profitability of each activity not only in the material production units, but also in the institutes. A graphic example in Iasi County are the concerns dedicated to promoting self-administration in the state administrative units and in the higher education and cultural institutes. Thus, approximately 50 people's councils - municipal, city and town - in Iasi County have proposed that this year they will carry out their activities on the basis of self-financing. At the same time, an ever greater number of schools, especially school groups that include vocational schools, craft schools and industrial high schools, are involved in covering a greater portion of the state budget allocations on the basis of their own incomes that are obtained from the production made during training, as well as from the more rational administration of the resources entrusted to them by society.

Special achievements were obtained by the institutes of higher education of a technical nature, especially by the agronomic and polytechnical institutes where the contribution to balancing the budget of incomes and expenditures grows each year on the basis of scientific research contracts. We also encounter sustained efforts at the cultural institutes - cultural halls, cultural centers, cultural-scientific universities - which are succeeding in an ever greater degree to become profitable units through the payment of services that are undertaken and by combining educational events with instructional and formative actions. This is the case at the Iasi Cultural-Scientific University, the trade union cultural center and the Railroad Club. At the same time, the professional theater institutes, the People's Art School and other units in the cultural system are working to increase their own incomes and reduce state support.

Thus, the result is that, beyond influencing production activities and the criteria of efficiency and utility, the application of the new economic mechanism and, within this framework, economic-financial self-administration has contributed not only to a better administration of national wealth, but has also made its impact upon the maturation of political thinking and the mass's ability to think and create for the purpose of making all activities profitable. The growth in the spirit of responsibility and the quality of work in every field thus becomes to an ever greater degree a new resource capable of bringing about the acceleration of our society's general progress and the systematic improvement of living and working conditions.

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IMPLEMENTATION OF BUDGET OF INCOME AND EXPENSES

Bucharest REVISTA ECONOMICA in Romanian 19, 26 Mar, 2 and 9 Apr 82

[Article by Emil Cioflan, Costinel Lazar, Alexandru Pascal]

[No 11, 19 Mar 82 pp 5-7]

[Text] Fulfillment of the tasks established by the 12th party congress on achieving a new, higher quality in all economic activity, especially stressing the intensive factors in all branches as a basic feature of the 1981-1985 five-year plan requires the firm action of each economic unit, the organs of worker self-leadership and of each working person in the direction of an emphatic reduction in material expenses and overall production costs and in substantially raising profits. Achieving a new quality in the national economy, as a basic component, includes obtaining high economic efficiency and high profitability. As Comrade Nicolae Ceausescu stressed at the joint plenum of the RCP CC and the Supreme Council for Social and Economic Development in November 1981, "We must take energetic action to continue reducing production expenses and material expenses and to raise economic efficiency even more powerfully and to raise profits--the unit of measuring the good financial-economic activity in each sector and in each unit."

Under conditions of self-leadership and self-management, the enterprises must adopt all measures to achieve the planned physical and good production at a high level of quality, with the lowest material expenses and labor expenses and the maximum profitability and profits and to strengthen the responsibility of each economic unit in manufacturing the products which our society needs, but with minimum consumption of resources per unit of useful effect.

Firmly promoting the new economic-financial mechanism in accordance with the special demands required in the current stage and accomplishing all the aspects of economic-financial self-management are directly conditioned by the effective achievement of the multiple functions of the budget of incomes and expenses in each unit and in eliminating the serious shortcomings being demonstrated now in using this basic tool for applying a strict savings program in utilization of material resources, labor and financial resources and in achieving high quality in conformity with the great potential the enterprises have available.

The obligation of each socialist organization to work out its own budget of incomes and expenses has raised to a high level the entire activity of planning, directing it toward the quality and efficiency aspects, with its being conceived of as a basic tool in a solid substantiation and correlation by collective leadership organs in the enterprises of all the plan indicators. Any forecast assumed in the draft plan must have guaranteed, through the tasks assumed in the budget of incomes and expenses, the level of efficiency, the profit and expenses, which must be achieved. The organs of worker self-leadership are determined to direct their efforts toward the quality aspects of the work of leadership and planning and toward the final results of the highest possible efficiency. By its very place in the overall elements of the new economic-financial mechanism, working out the budget of incomes and expenses requires a thorough analysis of the various versions of the enterprise's plan and through the prism of the results in the area of efficiency, also, requires seeking solidly substantiated solutions in order to adopt the best decisions and the version of the plan which is the closest to the optimum as possible, strictly taking into account the level of efficiency indicators, also. In this way, the economic tasks assumed in the plan must be based on specific, judiciously substantiated programs of mobilizing reserves to reduce costs and any kind of expense.

This job of the budget of incomes and expenses, thus, does not mean and in no way should be demonstrated in practice as a passive, monetary reflection through financial indicators of production tasks. It is conceived as a particularly active tool for preventing the establishing of poorly substantiated tasks from the viewpoint of efficiency and products and activities with low profitability and resources not being utilized at the proper degree of efficiency. The solidity with which the budget of incomes and expenses is substantiated and the tasks for physical production and goods production with regard to expenses, too, truly are the guarantee for reaching a high level of efficiency and obtaining bigger and bigger incomes.

The leaders of the enterprises are required and, thus, obligated to discover the factors and reserves for reducing the expenses with which production is obtained and for obtaining the highest possible profits. In this way, the budget, as the financial synthesis through incomes and expenses of the enterprise's activity in the plan period, is able to prevent any kind of demonstration of the harmful mentality of obtaining production at any price, underestimating the consumption of resources, level of expenses and incomes. The enterprises and centrals have created conditions for not neglecting long-range problems in the area of efficiency and of increasing incomes under the pressure of current tasks.

Representing one of the interdependent aspects of the new economic-financial mechanism, acting as a reflection of the total processes and phenomena which take place in the socialist organizations through incomes and expenses, the budget of incomes and expenses, among its basic jobs, also has the one of determining the demonstration of economic-financial self-management to the full extent. This job is carried out both in the process of working out the budget of incomes and expenses as well as in the complex activity of fulfilling the financial indicators, the continual efforts to achieve financial balance, ability to pay so that the results of efficiency obtained are at least at the level of those in the plan. By the very way in which it is structured and by its components and correlations between the indicators it includes, the budget brings out the extent to which

expenses are exceeded by incomes in each economic unit, the level of profitability of the entire activity reflects the potential for self-financing, for paying back the funds advanced by society on schedule and the credits contracted, the extent to which the enterprise fulfills one of its special tasks before society and that is the task of contributing with higher resources to forming the incomes of the state budget, the degree to which it can insure, on the basis of the results of efficiency, the fund for the workers' participation in profits and other funds for providing incentives for the particular collective. Adequate solutions to all these components of economic-financial self-management must be found both in the process of working out the budget of incomes and expenses as well as in the leadership of activity for precise fulfillment of its provisions. Thus, the economic units' responsibility is considerably strengthened in management of the funds entrusted by society with maximum efficiency, all conditions are created so that each unit, of any type, knows what it is producing, what incomes it will have, how much it will consume and what it must give to society.

Under conditions of full use of the budget of incomes and expenses, economic-financial self-management proves itself by efficiently seeking the valences both at the enterprise level as well as level of each link separately in its organizational structure. The interdependence and interconditioning between the depth of demonstration of economic-financial self-management on one hand and efficient use of the budget of incomes and expenses on the other represent an important aspect of the firm application of the new economic-financial mechanism.

The budget of incomes and expenses, at the same time, is intended to be a permanent working tool for achieving worker self-leadership; the entire and complex activity of working out and carrying out its provisions means wise use of economic levers, final abandoning of the administrative, functionary nature in carrying out the leadership of enterprises and centrals. To a decisive extent, through the budget of incomes and expenses, the democratic leadership organs also have available the resources needed to substantiate and carry out decisions, resources which result from the quality belonging to the activity of each enterprise separately. As a result, full exercising not only of the competencies is stimulated but also of the responsibilities which the councils and general workers' meetings have in the most efficient possible use of the resources they have available in fulfilling plan tasks for physical production, net production, goods production sold and received in the structure and within the schedules established, but with minimum expenses.

The primary importance of the budget of incomes and expenses for effectively carrying out worker self-leadership also is demonstrated by the fact that the broad activity for substantiating its provisions requires the broad and direct involvement of all cadres with responsible work and of the entire working collective in each enterprise in solving the multiple technical and technological problems and problems of organizing production and work, of supply and sales, and so forth, for the entire plan period. In other words, the budget of incomes and expenses, worked out with the contribution of the entire collective, permits it to determine and to know, before moving to fulfill the plan, what are the limits of the expenses within which it must fit strictly, what the minimum level

of expenses should be, what the minimum level of profit should be, the results of fulfilling and overfulfilling the forecasts assumed, stimulating creative searches, a spirit of initiative, a calculation on strictly economic principles in order to obtain production under much greater conditions of profitability.

As a lever of leadership and organization with an operative nature, the obligatory nature of the budget of incomes and expenses brings the organs of worker self-leadership, the worker collectives in their totality to take action to prevent any demonstrations of waste, of poor management, of utilization of the resources in their realm beneath possibilities, to discover in time the positive and negative trends with regard to the efficiency of utilizing these resources and the concrete causes for them, having the opportunity to localize them precisely and take action accordingly.

The budget of incomes and expenses as a basic element of the new economic-financial mechanism for effectively achieving the operational independence of the economic units has among its important jobs the one of effective control means for strengthening order in the handling of the funds the economic units have available, in preventing any kind of waste, in increasing responsibility at all organizational levels from all factors in the economy in order to take firm action with the purpose of eliminating and preventing any unjustifiable expenses and any economic acts with low profitability; handled correctly, it brings special responsibility from those authorized to arrange expenses from the enterprise's assets, to enter into the problems in depth, to plan and seek assiduously the highest possible efficiency for everything they produce. At the same time, the budget of incomes and expenses creates the opportunity for the leadership organs of the enterprise to master, control and influence the formation of net production on the basis of its component elements, to prevent negative demonstrations through solid substantiation of them so that its growth takes place at the same time as the rise in profit.

In accordance with the content of economic-financial self-management and self-financing, the budget of incomes and expenses is an efficient lever for mastering and directing flows of money as an all-encompassing reflection of the complex relations which appear in the operation of the enterprise and central. At the same time, in the multitude of the enterprise's relations with the other units and links in the system of organization and leadership of the national economy with the socialist state, the budget of incomes and expenses is a means through which permanent achievement of the enterprise's solvency and liquidity can be established and obtained in accordance with fulfilling the goals of its own plan and which insures the ability to pay and financial balance under conditions of the highest possible economic efficiency of its activity in all areas, for each product and part, and in all departments; working out the budget of incomes and expenses on solid bases, the economic unit must have available the appropriate volume of monetary resources in order to cover its payment obligations to its partners in the contractual relations, to the central and the state on schedule and upon its own initiative and to promptly honor its payments due the worker personnel in conformity with the law. So the budget of incomes and expenses, utilized efficiently, can insure the permanence of financial balance for the enterprise and achievement of the best level of

liquidity. Any delay, any dallying with the schedules of payments due are a proof of inappropriate handling of this very efficient component of the new economic-financial mechanism by the organs of collective leadership and the enterprise's cadres.

In the time which has passed since introduction of the new economic-financial mechanism, the budget of incomes and expenses has proven to be a component of primary importance for accomplishing the demands imposed by this mechanism in all its complexity in the activity of the socialist organizations and for utilization of their technical, material, human and financial potential with higher output.

An analysis of the demonstration of the functions of the budget of incomes and expenses in 1979-1981 in a number of industrial enterprises in Bucharest, units in different branches which belong to different centrals and ministries brings out a number of notable achievements, carried out at high levels for the indicators of the production plan, together with a rise in profits and the main indicators of efficiency. The figures in Table 1 show the quality improvements in the enterprises' economic-financial activity as a result of the fact that the organs of worker self-leadership take action with greater responsibility for managing the portion of the national wealth which forms each one's assets.

Thus, the planned net production was exceeded by 16 million lei in 1980 and by 6 million lei in the first half of 1981 at the Semanatoarea Enterprise; by 27 million lei in 1979, 8 million in 1980 and 5 million in the first half of 1981 at the Aversa Pump Enterprise; by 18 million lei in 1979, 72 million lei in 1980 and 98 million lei in the first half of 1981 at the Bucharest Drugs Enterprise; while at the Pionierul Enterprise the overfulfillments were 29 million lei in 1979, 21 million in 1980 and 3 million in the first half of 1981. What is also positive is the fact that those units which sensibly used the levers offered by the new economic-financial mechanism mobilized their reserves to a greater extent so that the overfulfillments of the plan tasks for net production would materialize in an increase in the volume of profits. At the drugs enterprise the planned profits were exceeded by 9 million lei in 1979, 23 million in 1980 and 2 million in the first half of 1981; at the Aversa it was by 3 million lei in 1979 and 10 million in the first half of 1981; while at the Pionierul the overfulfillments in those same years were 4 million and 1 million, respectively.

The practice of carrying out economic-social activity shows that the use of the multiple opportunities offered by the budget of incomes and expenses by the organs of worker self-leadership permits the enterprises to achieve high efficiency indicators, to utilize the potential they have available under better and better conditions, regardless of the nature and volume of their activity.

Table 1: Level of Achievement for Some Economic-Financial Indicators (in %)

		12. INTREPRINDERI 19.									
1. Indicatorii		14. Auto- buzul	15. Semă- nătoa- rea	16. Pompe Aversa	17. Laro- met	18. Intr. medica- mente	19. I.M.C. 7 No- iembrie	20. Stofe mobilă	21. Pio- nierul	22. Intr. bere	
2. Producția netă	13 1979	83.1	100.0	105.4	96.2	103.0	98.2	103.0	114.7	92.6	
	1980	104.5	102.4	101.6	98.3	111.6	100.0	117.0	110.2	103.4	
	Sem. I '81	106.8	101.3	101.9	108.1	130.3	102.3	112.0	102.6	106.6	
3. Valoarea produc- ției marfă	1979	92.1	100.3	100.9	100.6	102.0	104.8	101.9	110.2	94.9	
	1980	100.7	104.9	101.6	105.1	113.2	102.2	107.1	116.6	99.0	
	Sem. I '81	100.1	105.2	100.8	111.4	105.6	96.6	106.0	100.3	104.0	
4. Costurile de pro- ducție totale	1979	97.8	101.0	109.0	101.0	99.2	103.0	103.0	171.0	98.4	
	1980	101.0	105.9	102.2	106.6	112.9	99.6	107.0	107.6	97.7	
	Sem. I '81	104.0	104.7	122.0	107.7	104.4	94.6	101.0	100.1	101.8	
5. Nivelul costurilor totale la 1 000 lei producție marfă	1979	108.2	109.1	99.9	101.0	98.9	99.9	99.7	99.8	103.8	
	1980	99.8	100.9	100.6	101.3	99.6	95.4	99.6	99.7	95.3	
	Sem. I '81	118.3	99.6	99.9	101.2	95.7	93.6	96.6	99.9	94.4	
6. Total venituri	1979	97.0	100.0	102.0	100.2	99.0	106.0	100.3	105.5	96.5	
	1980	108.0	107.0	104.0	106.0	109.0	103.0	103.0	101.7	95.0	
	Sem. I '81	93.0	106.0	102.0	117.0	106.0	84.0	106.0	101.0	105.0	
7. Rezultate financiare	1979	78.0	67.0	103.0	101.0	104.0	80.0	103.0	106.0	92.0	
	1980	103.0	102.0	96.0	107.0	109.0	170.0	106.0	100.6	91.0	
	Sem. I '81	91.0	110.0	94.0	107.0	105.0	120.0	119.0	100.8	114.0	
8. Beneficii de repar- tizat	1979	72.0	55.0	102.0	102.0	105.0	73.2	101.0	109.0	92.0	
	1980	107.0	100.0	86.0	107.0	112.0	125.3	104.0	101.4	90.0	
	Sem. I '81	79.0	148.0	109.0	109.0	103.0	135.6	155.0	103.0	121.0	
9. Rentabilitatea la activitatea totală	1979	84.0	61.5	107.0	105.0	105.0	70.7	103.1	100.5	90.5	
	1980	100.0	94.1	87.0	106.0	100.0	124.0	100.0	101.2	93.0	
	Sem. I '81	89.0	107.0	114.0	100.0	92.0	168.5	120.4	100.0	172.9	
10. Producția netă la 1 000 lei fonduri fixe totale	1979	80.9	100.0	107.6	103.0	102.0	99.0	104.0	117.0	98.0	
	1980	101.1	106.0	103.7	107.5	113.0	100.0	117.0	111.5	107.0	
	Sem. I '81	106.4	100.0	103.1	114.5	130.0	103.0	112.0	102.0	—	
Beneficii la 1 000 lei fonduri fixe totale	1979	79.0	100.0	105.0	103.0	103.0	72.0	103.0	108.0	97.0	
	1980	98.2	100.0	95.0	116.8	112.0	125.0	106.0	102.0	110.0	
	Sem. I '81	90.0	100.0	95.0	102.4	103.0	121.7	121.0	101.0	—	

Key:

- | | |
|--|--------------------------------|
| 1. Indicators | 12. Enterprises |
| 2. Net production | 13. First half of 1981 |
| 3. Value of goods production | 14. Bus |
| 4. Total production costs | 15. Semanatoarea |
| 5. Level of total costs per 1,000 lei goods production | 16. Aversa pump |
| 6. Total incomes | 17. Laromet |
| 7. Financial results | 18. Pharmaceuticals enterprise |
| 8. Profits to be distributed | 19. 7 November |
| 9. Profitability for total activity | 20. Upholstery |
| 10. Net production per 1,000 lei total fixed assets | 21. Pionierul |
| 11. Profits per 1,000 lei total fixed capital | 22. Beer enterprise |

[Text] The budget of incomes and expenses, as shown in the first part of this article, contributes to a greater and greater extent to practical demonstration of the operational nature of the new economic-financial mechanism in what is essential--that is, in lasting placement of all activity on the principles of high economic efficiency; through the way in which it is utilized, the mistaken understanding--criticized repeatedly by the party leadership--is more and more becoming overcome, by which the new economic-financial mechanism means the opportunity to spend more easily, without taking these expenses into account too much. Considerable improvements have occurred in the conditions of carrying out economic activity and the levers of economic-financial self-management, worker self-leadership and self-financing more and more broadly are demonstrating their valences and implications at the level of quality and high productivity in the utilization of resources. The interdependency of self-leadership-self-management-self-financing is proving to be undeniable through the broader and broader way the enterprises are exercising their decision-making competencies, involving the direct producers more and more actively and directly in the leadership act, stimulating the development of production and carrying out of services provided and of export under superior conditions of efficiency. The budget of incomes and expenses has been used more successfully as a means of planning, analysis, execution and control and of achieving financial balance.

Evaluating these achievements at their correct value, a careful analysis of the evolution of economic-financial indicators of the enterprises' efficiency shows that, in utilizing the budget of incomes and expenses as well as other components of the new economic-financial mechanism, action is being taken timidly; demonstrations of superficiality and bureaucratism exist, diminishing the effects obtained. Practice shows the persistence of certain anachronistic methods, routine working methods in a number of enterprises. As the RCP secretary general, Comrade Nicolae Ceausescu, pointed out, the new economic-financial mechanism "is having a hard time finding its place and is meeting resistance from the old, from the custom of working without accounting for the economic results obtained."

The shortcomings being demonstrated in the activity of some enterprises in exceeding the expenses forecast in the budget, even under conditions where the plan tasks were not fulfilled precisely, the large volume of uneconomical expenses and credits due and the lack of ability to pay are situations which show that the budget of incomes and expenses is not being handled with the necessary firmness everywhere.

Many shortcomings originate in the still inappropriate method of compiling and substantiating the budget of incomes and expenses. The practice of setting the size of its indicators by a nearly automatic monetary transformation into the expenses and incomes of the tasks of the economic plan cut off from the very start the particularly important functions of this lever in the leadership of activity on modern bases, aspects of economic-financial self-management. The calculations and correlations in Table 2 show that in the enterprises we are referring to in a number of cases the rise in indicators of expenses is faster

than that of goods production and net production; at the same time, the growth rate of incomes, financial results, profit and the main efficiency indicators is less for a portion of the units. The basic problem in the activity of the economic units, the basic parameter for the efficiency of leadership, is the increase in production according to society's needs, but under conditions of reducing expenses per unit of product. The use of the functions of the budget of incomes and expenses should lead to elimination of any demonstrations of producing without taking into strict account the evolution of costs and any type of expense brought by the particular production, from research-design and including the sale.

Table 2: Rise in Certain Main Indicators of Enterprise Activity in 1980 Compared With 1979

15. Intreprinderile									
1.	16.	17.	18.	19.	20.	21.	22.	23.	24.
Indicatorii	„Auto- buzul”	Semă- nătoa- rea	Pompe „Aversa”	Laro- met	Intre- prinde- rea me- dica- mente	L.M.C. 7 noiem- brie	Stafe mobiliă	„Pionie- rul”	Intre- prinde- rea bere
2. Producția netă	74,3	107,3	97,8	111,4	111,9	102,9	121,8	98,3	118,9
3. Valoarea producției marfă	89,6	115,0	97,3	102,7	112,8	98,8	111,1	120,8	112,1
4. Costurile de producție	101,7	124,2	101,3	102,5	114,7	92,4	104,6	66,3	104,9
5. Nivelul costurilor totale la 1 000 lei prod marfă	111,6	100,0	104,2	99,0	100,2	95,4	94,2	103,0	92,6
6. Valoarea fondurilor fixe la finele peri- oadei	103,9	105,7	101,9	109,2	104,3	97,6	104,4	103,9	107,1
7. Total venituri	72,9	110,8	97,6	94,1	113,0	94,5	109,8	100,4	104,5
8. Rezultate financiare	56,8	103,1	88,7	115,8	111,1	170,0	126,4	95,7	103,8
9. Beneficii de repartizat	50,3	94,3	88,5	107,4	112,3	147,8	101,7	128,8	260,2
10. Mijloace circulante la finele perioadei	103,8	118,7	78,5	106,0	116,8	88,2	88,1	103,7	90,9
11. Total mijloace circulante	103,8	118,8	94,8	106,9	116,8	89,3	95,4	103,7	90,9
12. Rentabilitatea la activitatea totală	52,8	100,0	85,1	100,9	106,6	225,0	124,2	89,3	250,0
13. Producția netă de 1 000 lei fonduri fixe	70,9	101,5	96,1	92,1	107,4	102,6	123,7	94,5	110,2
14. Beneficii la 1 000 lei fonduri fixe totale	51,4	97,6	87,1	92,3	107,7	162,9	117,0	96,9	113,5

Key:

- | | |
|--|---|
| 1. Indicators | 13. Net production per 1,000 lei fixed assets |
| 2. Net production | 14. Profits per 1,000 lei total fixed assets |
| 3. Value of goods production | 15. Enterprises |
| 4. Production costs | 16. Bus |
| 5. Level of total costs per 1,000 lei goods production | 17. Semanatoarea |
| 6. Value of fixed assets at end of period | 18. Aversa pump |
| 7. Total incomes | 19. Laromet |
| 8. Financial results | 20. Pharmaceuticals enterprise |
| 9. Profits to be distributed | 21. 7 November |
| 10. Circulating resources at end of period | 22. Upholstery |
| 11. Total circulating resources | 23. Pionierul |
| 12. Profitability for total activity | 24. Beer enterprise |

Covering expenses from their own incomes and achieving the highest possible profitability still to a large extent is being viewed totally, for the economic units as a whole and to an insufficient extent for each product or activity separately, for each section, shop, department or work formation, with the actual contribution of the technical-engineering cadres in each section, shop, foremen, workers in order to guarantee a high level of efficiency, the maximum possible under the given conditions of the plan period on the basis of well-founded analyses and sensible programs of measures which are realistic and analytical. For this reason, the budget of incomes and expenses is still not playing its proper role everywhere in selecting the version of the plan which also permits the maximum efficiency. For that reason, we feel that a more complex substantiation of the indicators included in the budget would permit a broader discovery and attraction of the reserves for raising efficiency.

At the same time, parallels and not enough links are appearing between the plan for production costs and the budget of incomes and expenses, which unfortunately favors the total system we refer to for going deeply into and seeking incomes and profitability, a practice which does not provide severe punishment for waste and poor efficiency. As a result we are proposing that the plan for production costs be an inseparable component of the budget of incomes and expenses, at the same time finding adequate solutions for current seeking of them, including by unit of product and useful effect.

Another problem which has not been solved appropriately through the budget of incomes and expenses, according to current requirements, is respect for and fitting into the consumption standards. Study we have undertaken shows that currently situations are being encountered in which the determination of incomes and expenses is not always based on the approved standards. Once again this shows that, on one hand, we must copy with a certain automatism in working out the budget of incomes and expenses and, on the other, with an insufficiently deep study of the ways and opportunities for reducing expenses as much as possible and, as a result, increasing incomes and profits. It is not understood everywhere yet that even the provisions in the standards of expenses do not represent "a right" to spend resources in a certain amount, but a maximum level beyond which one cannot go in any way, with no justification; in other words it expresses the responsibility before society to seek technical, technological, organizational solutions in order to obtain the production forecast with minimum expenses.

Extending the system of standards within the new economic-financial mechanism, increasing their role as tools of the collective leadership organs in each enterprise to limit to the strictly necessary any expense and continually reduce it have special importance for full accomplishment of the functions of the budget of incomes and expenses, for solid substantiation of the indicators included in full agreement with the objective requirements of carrying out intensive broadened reproduction throughout the national economy. We express the opinion that, together with continual activity to extend, bring up to date and improve them and to increase the mobilizing nature in improving all activity toward raising the efficiency parameters to high levels, it is necessary for the enterprises and centrals to be provided incentives to a greater extent, so that

through the budget of incomes and expenses, they take on tasks of incurring expenses per unit of product and useful effect, smaller than as forecast in the standards in effect, thus assuming greater tasks for the volume of profit planned.

In this context, we feel that, together with raising the role and mobilizing nature of the standards, a greater share of the planned profit, resulting from establishing expenses and material consumption below the standards in effect during the plan period, should remain at the disposal of the enterprises for increasing their potential for self-financing and for paying back the funds received from society faster, while a certain amount of the planned profit obtained in this way should, of course, also supply the rise in funds for material incentives for worker personnel. The budget of incomes and expenses bring out separately the incomes and profits obtained in the way shown. At the same time, in order to directly involve the central to a greater extent in aiding the enterprises in taking on greater profits through the plan in this way, it would follow that a portion of the particular profit should move to their disposal. In this way, both in the process of working out as well as the process of fulfilling the forecasts of the budget of incomes and expenses, the enterprises and centrals, each section, shop and work formation separately, the collective leadership organs would take action with more determination to improve technologies, redesign and renovate products on the basis of minimum material consumption, to improve the organization of production and work, to reduce auxiliary and nonproduction personnel and to have a more emphatic growth in labor productivity.

Aspects of formalism and weak efficiency in using the budget of incomes and expenses are also reflected in the fact that, although the expenses are maximum admissible limits, the appearance of the indicators achieved shows that there is great frequency in the cases when these expenses are achieved at levels higher than those established (Table 3). Among the main causes of this situation also is the one where, in the process of compiling the budget of incomes and expenses, the methods and factors guaranteeing strict inclusion of the actual expenses in the levels established are not sensibly substantiated everywhere.

The entire activity of compiling and substantiating the budget of incomes and expenses and of seeking the indicators included should utilize the thought and creative action of the entire collective. We feel that the very organization and flow of activity of the commissions by areas within the enterprise should be based on increasing their contribution to a solid substantiation of the provisions of the budget, to determining the size of any expenses as is strictly necessary and seeking to have complete application of the measures established.

The appearance of the indicators for the enterprises' expenses shows that the collective leadership organs must take action with greater firmness to use the budget of incomes and expenses as an efficient tool for strengthening discipline and for absolute order in incurring any expense, in seeking to have strict achievement, within the schedules fixed, of all the measures in the programs which have been at the basis of substantiating the budget indicators.

Table 3:
Absolute Difference (+ or -) Between Achieved and Planned Level for
Certain Indicators of Expenses

1. Indicatorii		13. Intreprinderile										
		14. „Auto- buzul”	15. „Sema- nătoa- rea”	16. „Pompe „Aversa”	17. „Laro- met”	18. „Intr. medica- mente”	19. „I.M.C. 7 noiem- brie”	20. „Stofe mobila”	21. „Pionie- rul”	22. „Intre- prinde- rea bere		
2. Fond de retribuire total (mil. lei)	1979	- 2,0	- 0,8	+ 5,0	- 1,7	- 0,6	- 0,4	+ 0,9	+ 7,1	- 8,0		
	1980	+ 6,0	-	+ 3,0	- 1,9	+ 4,0	- 0,3	+ 4,1	+ 5,3	- 14,0		
	Sem. I. 81	- 1,6	+ 2,0	+ 1,0	+ 1,2	+ 5,3	-	+ 1,3	+ 0,9	- 1,0		
3. Număr total mediu scriptic personal (persoane)	1979	-	+ 17,0	+ 35,0	- 19,0	- 55,0	+ 15,0	-	+ 147,0	- 190,0		
	1980	+ 68,0	+ 10,0	+ 50,0	- 3,0	+ 124,0	+ 1,0	+ 37,0	+ 158,0	- 209,0		
	Sem. I. 81	-	-	- 1,0	- 46,0	+ 35,0	- 5,0	+ 33,0	+ 22,0	+ 12,0		
4. Nivelul costurilor totale la 1 000 lei producție marfă (lei)	1979	+ 56,8	+ 72,0	- 0,4	+ 9,0	- 7,4	- 0,1	- 1,6	- 1,3	+ 17,9		
	1980	- 1,0	+ 7,9	+ 4,3	+ 12,2	- 2,4	- 23,7	- 2,5	- 2,2	- 22,3		
	Sem. I. 81	- 15,0	- 2,6	- 0,2	+ 10,2	- 31,0	- 57,8	- 12,7	- 0,3	- 50,0		
5. a) Cheltuieli materiale (lei/1 000)	1979	+ 40,6	+ 23,6	- 0,5	+ 4,3	- 3,1	- 15,1	- 4,9	- 13,2	+ 8,4		
	1980	- 18,0	+ 15,1	+ 4,5	- 1,9	- 0,1	- 7,6	- 39,3	- 5,4	- 15,9		
	Sem. I. 81	- 29,0	- 10,8	- 0,1	- 25,3	- 31,8	- 24,1	- 8,9	- 0,3	- 16,1		
6. b) Cheltuieli cu munca vie (lei/1 000)	1979	+ 16,2	+ 48,9	- 0,2	+ 5,0	- 4,3	+ 15,1	+ 3,2	+ 11,9	+ 9,5		
	1980	+ 17,0	- 7,2	- 0,2	+ 14,3	- 2,3	- 15,0	+ 36,2	+ 3,2	- 6,4		
	Sem. I. 81	+ 14,0	+ 8,2	- 0,1	+ 7,1	+ 4,8	- 33,7	- 13,8	+ 0,5	- 6,9		
7. Costurile de producție totale pe elemente primare (mil. lei)	1979	- 27,4	+ 21,0	+ 6,6	+ 10,0	- 9,3	- 0,3	+ 5,2	+ 231,0	- 8,0		
	1980	+ 12,0	+ 99,0	+ 15,0	+ 63,0	+ 149,0	+ 2,1	+ 11,4	+ 26,0	- 12,0		
	Sem. I. 81	+ 35,0	+ 46,0	+ 86,0	+ 18,0	+ 29,0	- 2,0	+ 1,6	+ 1,0	+ 4,0		
8. Materii prime, mat. de bază și aux. din afară (mil. lei)	1979	- 32,9	+ 11,0	+ 7,5	+ 5,0	+ 58,0	- 0,9	- 2,0	+ 13,5	- 0,7		
	1980	- 31,0	+ 106,0	+ 13,0	+ 52,7	- 847,0	+ 0,3	- 0,7	+ 21,0	- 4,1		
	Sem. I. 81	+ 15,0	- 14,0	+ 77,0	+ 32,1	+ 61,0	- 1,6	- 0,9	-	+ 1,4		
9. Materiale recuperabile și re-folosibile (mil. lei)	1979	- 0,3	+ 7,0	+ 0,4	- 4,0	-	-	-	+ 5,0	+ 0,8		
	1980	- 1,6	+ 1,8	+ 0,1	+ 3,9	-	-	-	-	+ 0,8		
	Sem. I. 81	- 1,3	- 0,1	- 0,7	-	-	-	-	-	+ 0,2		
10. Combustibil, energie, apă din afară (mil. lei)	1979	- 0,3	- 1,0	- 1,2	- 1,0	-	-	-	+ 1,6	- 1,2		
	1980	+ 1,2	- 3,2	+ 0,1	- 2,4	- 6,0	- 0,2	-	- 0,7	- 1,3		
	Sem. I. 81	+ 1,8	+ 1,2	+ 3,1	- 0,1	- 2,0	+ 0,7	+ 0,3	- 0,2	+ 2,8		
11. Amortizarea fondurilor fixe (mil. lei)	1979	- 1,2	-	- 1,1	- 3,0	- 3,0	-	-	-	- 3,4		
	1980	+ 0,4	- 1,6	- 1,9	- 2,4	-	+ 0,8	-	+ 0,1	+ 1,0		
	Sem. I. 81	+ 0,6	- 1,2	+ 5,0	-	+ 2,0	+ 1,2	-	-	+ 0,7		
12. Retribuții, impozite și C.S.A. (mil. lei)	1979	- 5,0	+ 18,0	+ 1,8	+ 6,0	- 5,0	+ 1,2	+ 2,0	+ 13,5	+ 4,9		
	1980	+ 15,0	+ 15,0	- 14,0	+ 9,2	+ 6,0	- 0,4	+ 11,4	+ 8,6	- 8,7		
	Sem. I. 81	+ 0,8	+ 8,0	- 4,0	+ 4,9	- 1,0	- 1,2	+ 1,6	+ 0,3	- 0,2		

Key:

- | | |
|--|---|
| 1. Indicators | 11. Amortization of fixed capital (millions of lei) |
| 2. Total Salary fund (millions of lei) | 12. Salaries, taxes and CSA [expansion unknown] |
| 3. Average total number of personnel on staff | 13. Enterprises |
| 4. Level of total costs per 1,000 lei production goods(1 i) | 14. Bus |
| 5. a) Material expenses (lei/1,000) | 15. Semanatoarea |
| 6. b) Expenses for live labor (lei/1,000) | 16. Aversa pump |
| 7. Total production costs for primary elements (millions of lei) | 17. Laromet |
| 8. Raw, basic and auxiliary materials from outside (millions of lei) | 18. Pharmaceuticals enterprise |
| 9. Recoverable and reusable materials (millions of lei) | 19. 7 November |
| 10. Fuel, energy, water from outside (millions of lei) | 20. Upholstery |
| | 21. Pionierul |
| | 22. Beer enterprise |

[Text] The aspects stressed in the preceding issue on the evolution of expenses in the enterprises to which our study refers inevitably find their correspondent in the evolution of incomes, financial results and profit and in the degree to which certain main efficiency indicators are fulfilled (Tables 4 and 5). The figures show that not all the enterprises really understand that the budget of incomes and expenses does not represent something formal, but that it should become an active tool of self-management which contributes to mobilization of reserves for solving the plan tasks rigorously, together with obtaining the highest possible incomes and obtaining high economic efficiency.

At the same time, we have the need for a closer cooperation of the enterprises, centrals and ministries in working out and substantiating the budget of incomes and expenses, in a way similar to how this cooperation is achieved in working out the draft economic plan. Especially since, in accordance with the legal provisions, the budget of incomes and expenses of the economic units is integrated into the system of budgets of incomes and expenses which are compiled at the level of the central, ministry or other central and local organs in accordance with the single national plan for the purpose of insuring the overall balance of the national economy.

As the figures and calculations in the tables presented show, the shortcomings also are demonstrated in the phase of executing the budget of incomes and expenses. In many enterprise it has not really become a basic, operative tool with an active role in the efficient leadership of activity, and rigorous implementation of all measures and provisions of programs has not been sought to reduce expenses and to achieve the efficiency indicators established. For example, this is reflected by the fact that energetic action is not being taken everywhere to replace certain technologies according to the measures adopted and by the poor exactingness in reviewing and applying the consumption standards for raw materials, fuel and energy and standards for the indicators of utilization of production capacities; the units and even the centrals do not always attentively seek the evolution of costs per product nor do they regularly bring up to date the calculations for the particular costs with new elements which intervene in techniques, technology, organization and so forth.

Carrying out the functions of the budget of incomes and expenses as an operative level for leadership and organization requires seeking, to the letter of the programs established, the goals in the area of scientific-technical research, design, modernization of technologies, renovation and modernization of production reflected in technical, economic, basic ergonomic parameters and the tasks established in the area of organization of production and work, strengthening of technological discipline and labor discipline in all departments and strict fulfillment of each worker's duties. An analysis of the progress of fulfillment of the indicators from the budget of incomes and expenses and following it with great regularity must be improved seriously so that the incurring of any expense, regardless of the size and the place it is produced, is determined by an urgent need and it is justified completely from the viewpoint both of the moment and timeliness as well as the amount of it and certain results. Expenses for primary elements generally are not sought through the budget of incomes and expenses and

are seeing a trend toward a level higher than that forecast in the plan for production costs, including expenses for the total salary fund; at the same time, the forecasts for increasing incomes and profit and indicators of efficiency are not recording an adequate rise. With regard to what has been shown above, what is graphic is the fact that the unjustified expenses, specifically the fines, penalties, losses from waste, penalty interest, penalties paid the beneficiaries for failure to respect the contract provisions year after year have been found in the balances of the great majority of the enterprises included in our investigation. These shortcomings are reflected negatively in the financial balance of the enterprise and its ability to pay.

It is necessary for the legal provisions to be applied more firmly regarding material responsibility for avoiding and recovering uneconomical expenses, fines and penalties and losses as a result of failure to achieve the rotating speed for circulating resources and failure to seek receipt of the countervalue of goods and services within the timetable established. Expenses of the above type must be borne by those collective members whose fault it was that they were produced when they are a result of failure to have strict fulfillment of the job's duties; when establishing of personal responsibility for certain sums is not possible, their amount must be reduced not from financial results but from the profit remaining at the enterprise's disposal and only after that are the allocations provided in forming their own assets made. This provision also should apply in the case of interest on credits due, while the profit which can be obtained by utilizing credit not paid back on time for the particular period should move to the budget as improper profit. The party documents, dwelling on the requirements for application of a strict savings program so that each leu spent brings superior results, have stressed decisively the task of putting an end to uneconomical expenses in our economic units, ones which affect profitability and which reflect useless consumptions of resources. Under conditions of the demonstration of the functions of the budget of incomes and expenses in all their scope and achievement of its nature as an operative tool for leadership, the appearance of such expenses can and must be prevented and eliminated.

At the same time, in order to bring the economic units to maximize the volume of profit through the budget of incomes and expenses and provide incentives for them even more with a view to mobilizing all reserves in the direction of providing the highest possible profit through the plan, we feel it necessary for the allocations for establishing funds for an economic purpose of the enterprise and central to be made only from the planned profit and, of course, to the extent to which this is achieved. Certain amounts, depending on the economic means and their own efforts to obtain this profit, should be allocated from the profit obtained above and beyond the plan for the funds for material incentives for the worker collectives and the remainder, which would be the greater share, would be deposited into the state budget. By this, the budget of incomes and expenses would change into a tool with much greater efficiency both in the process of working out the plan as well as implementation of it. The entire structure of the budget of incomes and expenses, in close correlation with the functionality of the economic units' self-financing, should have the enterprises and central assume maximum tasks to reduce expenses and increase profits. On the other hand, failure to fulfill the tasks assumed through the budget of incomes and expenses should have more serious consequences for the particular enterprises and the incomes of the workers collectives, in full agreement with the socialist principles of work and distribution.

Table 4: Evolution of Incomes, Financial Results and Profit

Table 4: Evolution of Incomes, Financial Results and Profit												
		11. I N T R E P R I N D E R I L E										
A.			12.	13.	14.	15.	16.		17.	18.	19.	20.
INDICATORII			"Auto- buzul"	"Sema- natoa- rea"	Pompe "Aver- sa"	"Laro- met"	Incep- menta medica- mente	I.C.M.	"7 No- tembrie"	Stofe mobila	"Pio- nieriul"	Intra- prinderi de bere
		21.	I. Indicele de indeplinire a planului (in%)									
1. Total venituri		1979 97,0 100,0 102,0 100,2 99,0 106,0 100,3 103,5 96,5										
		1980 108,0 107,0 104,0 106,0 109,0 103,0 103,0 101,7 95,0										
		Sem. I. 81 93,0 106,0 102,0 107,0 106,0 84,0 106,0 101,0 105,0										
2. a) Incasări din vânzarea producției mar- fă la intern		1979 132,0 101,0 102,0 101,2 99,0 104,0 101,0 107,0 96,0										
		1980 119,0 102,0 104,0 106,0 106,0 97,6 104,0 102,0 95,0										
		Sem. I. 81 116,0 97,0 102,0 117,0 103,0 76,4 106,0 103,0 105,0										
3. b) Incasări din vânzarea producției mar- fă la export		1979 15,0 94,0 108,0 — 102,0 104,0 104,0 —										
		1980 79,0 89,0 116,0 — 96,0 131,0 100,0 101,7 —										
		Sem. I. 81 39,0 — 100,0 — 99,0 — — 101,2 —										
4. Rezultate financiare		1979 76,0 67,0 103,0 101,0 104,0 89,0 103,0 108,0 93,0										
		1980 103,0 102,0 96,0 107,0 109,0 170,0 106,0 100,6 97,9										
		Sem. I. 81 91,0 110,0 94,0 107,0 105,0 120,0 119,0 100,8 114,7										
5. Beneficii de repartizat		1979 72,0 55,0 102,0 102,0 103,0 73,2 101,0 109,0 92,0										
		1980 107,0 100,0 86,0 107,0 112,0 125,3 104,0 101,4 90,0										
		Sem. I. 81 79,0 148,0 109,0 109,0 103,0 135,6 135,0 103,0 123,0										
22. II. Diferența absolută (+ sau -) dintre nivelul realizat și cel planificat (mii lei)												
6. Total venituri		1979 - 82 — +20 + 3 + 11 +4,7 +1 +26,4 -58										
		1980 +199 + 37 +43 +59 +171 +2,2 +9 + 8,6 -90										
		Sem. I. 81 - 61 + 63 + 9 +87 + 62 -6,6 +7,5 + 2 +37,5										
7. a) Incasări din vânzarea producției marfă la intern		1979 +721 + 69 +16 + 3 - 14 +2,2 +1 +17,2 -59										
		1980 +320 +146 +35 +59 +182 -1,6 +9 + 4,5 -90										
		Sem. I. 81 +103 - 10 + 9 +87 + 64 -0,9 +7,6 + 1,5 +37,5										
8. b) Incasări din vânzarea producției marfă la export		1979 -803 — 20 + 3 — + 3 +0,1 -0,2 + 9,2 —										
		1980 -128 — 8 + 8 — - 11 +3,2 — + 4,1 —										
		Sem. I. 81 -164 — — — — 2 — — + 0,4 —										
9. Rezultate financiare		1979 -231 -128 +11 + 1 +20 -3,3 +1,9 + 7,4 -47,3										
		1980 + 16 + 4 -12 + 8 +42 +7,7 +4,7 + 0,7 -20,8										
		Sem. I. 81 - 15 + 13 -10 + 4 +23 -1,7 +7,9 + 0,4 +44,9										
10. Beneficii de repartizat		1979 -156,8 -147 + 2,7 + 3 + 9 -1,5 +0,3 + 4 - 7,1										
		1980 + 15 — -18 + 3 +23 +0,8 +1 + 0,8 -24,8										
		Sem. I. 81 - 10 +12,4 +10 + 5 + 2 +1,2 +5,9 + 0,8 +39,6										

Key:

A. Indicators

1. Total incomes
2. a) Receipts from sale of goods production-domestic
3. b) Receipts from sale of goods production for export
4. Financial results
5. Profits for distribution
6. Total incomes
7. a) Receipts from sale of goods production-domestic
8. b) Receipts from sale of goods production for export
9. Financial results
10. Profits for distribution

11. Enterprises

12. Bus

13. Semanatoarea

14. Aversa pump

15. Laromet

16. Pharmaceuticals enterprise

17. 7 November

18. Upholstery

19. Pionierul

20. Beer enterprise

21. II. Indicators for plan fulfillment %

22. II. Absolute difference (+ or -)

between level achieved and

level planned (thousands of lei)

Table 5: Absolute Difference Between Level Achieved and Planned for Certain Indicators of Efficiency

		8. INTREPRINDERILE														
INDICATORI		9. "Auto-buzul"	10. "Sana-naion-reu"	11. "Pompe-Avera-sa"	12. "Laromet"	13. "Intrep. medicament"	14. "I.C.M. 7 noiembrie"	15. "Stofa mobila"	16. "Pionierul"	17. "Intrep. bere"						
1. Rentabilitatea la activitatea de bază (calculată la costurile de producție) în %	1979	-7	-10	+1	-	+1	-1,9	+1	+0,2	-1,5						
	1980	-	-1	-6	-0,5	-	+1,9	-	+0,4	-3,5						
	Sem. I 1981	-2	+1	+5	+1	-3	+6,1	+9	+0,1	+12						
2. Rentabilitatea la activitatea totală (%)	1979	-7	-10	+1	+0,5	+1	+1,9	+1	+0,2	-1,5						
	1980	-	-1	-6	-	-	+1,9	-	+0,4	-3						
	Sem. I 1981	-2	+1	+5	-	-3	+6,1	+9	+0,1	+10						
3. Producția netă la 1 000 lei fonduri fixe totale (lei/1 000)	1979	-398	-	+37	+11	+13	-2,5	+10	+30,1	-10						
	1980	+12	-	+35	+23	+97	-	+172	+202	-63						
	Sem. I 1981	+31	-	+15	+19	+105	+5	+71	+24	-						
4. Beneficii la 1 000 lei fonduri fixe totale (lei/1 000)	1979	-300	-	+34	+8	-	-9	+19	+91	-23						
	1980	-11	-	+12	+28	+28	+9	-56	+19	-75						
	Sem. I 1981	-22	-	-13	+2	+2	+5	+77	+4	-						
5. Viteza de rotație a mijloacelor circulante totale (zile)	1979	+20	+28	+68	+8	-1	+18	-	+9	+18						
	1980	-	+10	+35	+1	+7	+8	+1	+10	+20						
	Sem. I 1981	+20	+6	+48	-5	+28	-39	+7	+33	-10						
6. Mijloace circulante totale la 1 000 lei producție globală (lei/1 000)	1979	+28	+84	-255	+3	-4	+47	+23	-15,2	+87						
	1980	+5	-1	+7	-163	+1	+17	+3	+16,5	+52						
	Sem. I 1981	+132	+77	-158	-111	-135	+88	-4	+69,7	-						

Key:

- | | |
|---|--------------------------------|
| 1. Indicators | 9. Bus |
| 2. Profitability for basic activity (calculated at production costs) in % | 10. Semanatoare |
| 3. Profitability for total activity(%) | 11. Aversa pump |
| 4. Net production per 1,000 lei fixed capital total (lei/1,000) | 12. Laromet |
| 5. Profits per 1,000 lei total fixed capital (lei/1,000) | 13. Pharmaceuticals enterprise |
| 6. Rotating speed for total circulating resources (days) | 14. 7 November |
| 7. Total circulating resources per 1,000 lei total production (lei/1,000) | 15. Upholstery |
| 8. Enterprises | 16. Pionierul |
| | 17. Beer enterprise |

[No 14, 9 Apr 82 pp 7-8]

[Text] Given the fact that the greatest portion of direct and indirect expenses brought on by directly carrying out economic activity is consumed in the production sections and sectors, the budget of incomes and expenses must be substantiated and followed in such a way as to make all the organizational links in the enterprise (section, shop, working formation, department of activity) directly makes its contribution to the good utilization of this lever throughout the leadership process. The Law on Finances itself expressly establishes the fact that achievement of financial leadership at all organizational levels takes place on the basis of the budget of incomes and expenses. In the current stage it is vital to place responsibility for the level of costs and incomes toward the sectors of conception, technical and production sectors, that is, where the great majority of expenses are incurred, and those factors on whose activity the level of efficiency actually depends.

The special importance of the requirements for the budget of incomes and expenses at the enterprise level to actually represent the combination of the budgets of the component links in a unified and well known system results from the need to have effective achievement of economic-financial self-management and worker self-management and to increase the responsibilities belonging to each link in the general effort for the most efficient possible activity and to measure its contribution precisely to the enterprise's overall results. The analyses undertaken show that up until now, actually the budget of incomes and expenses is only worked out and sought at the overall enterprise level. This fact means that the large reserves in the direction of increasing incomes and reducing expenses should not be mobilized or that "campaign" actions should take place along this line; it means that responsibility for fulfilling the efficiency indicators are not being demonstrated directly where both the expenses as well as incomes are directly achieved. As a result, the valences of the new economic-financial mechanism and of economic-financial self-management do not penetrate into absolutely all the "pores" of the enterprise at all levels; inevitably, one arrives at non-fulfillments in the area of affirmation of the socialist principles of work and distribution in all their profundity, particularly through the system of participation in profits and the other funds for providing incentives for the collective and it creates difficulties in preventing deeply harmful demonstrations of leveling the distribution and use of the particular funds by sections, shops and so forth.

The total manner by which the working out and following of the budget of incomes and expenses is actually demonstrated also is proven by the fact that the lay out of the budget's indicators is not done by the month or even by 10-day periods, which hinders the budget from becoming a current, very efficient working tool for the collective leadership organs and for preventing any unjustified expenses and any phenomena of waste and deviations from the plan provisions.

Thus, it is necessary and we propose that the normative acts for the budget of incomes and expenses also include in the general model a certain number of indicators and elements which are obligatory for working out the budgets at the level of each link within the enterprise, up to and including the work formation as well as at least laying out the budget provisions by 10-day periods. At the

same time, the need for salaries for the leaderships of these links to also be conditions of the degree of steady achievement of certain efficiency indicators provided in the budget also should be studied under conditions of changing the budget of incomes and expenses into a real working tool at the level of these links.

At the same time, we need faster improvement in the organization of the sections and other departments in the enterprises through the prism of the requirements for applying certain aspects of economic-financial self-management at their level and having a real and full demonstration of the functions of the budget of incomes and expenses, an area in which things actually have not changed very much, seriously hindering the use of the budget in the subunits. This, among other things, should have in mind the opportunity for keeping records of and having efficient and precise localization of the expenses and the incomes, the reasons causing them, the trends demonstrated, which offer efficient and exact information on the evolution of incomes and expenses together with the production plan fulfillment. Contrary to so-called difficulties and justifications encountered in some locations, such problems can be solved without increases in the personnel working in economic-financial activities by modernizing the flows of information, by using modern computer methods and record-keeping methods for costs, by having appropriate supply and full use of the modern computer resources as well as by correctly sizing and redistributing the personnel departments. The need has become particularly stringent to speed up the introduction of modern computer methods and record keeping of costs and financial results which would permit an effective and precise understanding of the possibilities for certain expenses to be exceeded, the factors causing them and so that the decision-making organs take action without delay.

The efficient use of the budget of incomes and expenses has an important role in speeding up the rotation of material and monetary resources from the enterprise's assets and in carrying out the money-goods-money cycle at a greater speed and including all resources in economic circulation as fast as possible. This should find its complete correspondent in the substantial improvements in the indicators of quality. As the figures in the balance prove, certain centrals and enterprises have obtained notable achievements in this regard. At the same time, important shortcomings are appearing in the efficient use of the budget of incomes and expenses, a fact also reflected in the fact that the principle of self-financing of the economic units is not being demonstrated everywhere in its full scope. The length of time for rotation of circulating resources, for example, compared with what was planned was greater by 10 days in 1980 and by 6 days in the first half of 1981 at Semanatoarea; by 55 and 48 days, respectively at Aversa; by 7 and 26 days, respectively, at the pharmaceuticals enterprise. Of course, there are many reasons, among which also are the changes in the structure of production. But just as true is the fact that, through the levers of the new economic-financial mechanism, including the budget of incomes and expenses, not enough action is being taken to eliminate and, in particular, prevent tie-ups of material and financial resources, the creation of stocks above the standards for raw materials, unfinished production, semi-manufactured and finished products.

Problems aimed at the rotating speed of circulating resources are in close correlation with the volume of tie-ups of circulating resources and are rather

large at the enterprises analyzed. These kinds of phenomena inevitably bring utilization of a larger volume of credits compared with the forecasts in the budget of incomes and expenses. As a result, credits not paid when due, as reflected in the figures in the balance, at the end of the first half of 1981 represented 62 million lei at the bus enterprise, 18 million at Aversa, 2.5 million at Pionierul and 2 million at Laromet.

The phenomena brought out basically are shortcomings in utilization of the aspects and complex levers of the new economic-financial mechanism. The practice of some enterprises confirms that, when the budget of incomes and expenses is used effectively, with all the functions it has, the phenomena such as those shown above, which are damaging to the enterprises and to society, in contradiction with the demands for accomplishing economic-financial self-management and worker self-leadership and self-financing may be eliminated and, in particular, prevented. They distort the picture of the efficiency indicators obtained through the ecollection of each enterprise. Eliminating such situations depends precisely on the nature of the firm application of the new economic-financial mechanism, as was conceived by our party; it must be demonstrated through full utilization of the budget of incomes and expenses and other levers by the workers' council at all the points of the circuit of assets, starting with the research, design and marketing phase up to the execution process, sales and receipt of the products' countervalue and in everyday work and absolutely in all departments; this opportunity is offered fully by the budget of incomes and expenses.

We feel that one cause of the phenomena such as the ones mentioned is also the lack of firmness from certain banking units in applying all the legal provisions in their spirit and letter in order to stop and prevent in the incipient phases the tie-ups in funds, credits due and other similar situations in contradiction with the rigors of applying the new economic-financial mechanism. The financial-banking apparatus has available all the levers for halting the prolonging of certain anti-economic situations demonstrated years ago in economic practice in more or less concealed forms, ones which should be ended absolutely. Among many others, the direct, day-to-day effects of utilizing the budget of incomes and expenses in all their profundity should be found in speeding up the rotating speed of circulating resources, overall funds, avoiding any tie-ups of finished products, raw materials and other resources, receipt and payment of the countervalue of goods and services within the timetable stipulated in the contracts.

As Comrade Nicolae Ceausescu emphasized, consequences at the level of the quality improvement in economic activity cannot be an automatic seeking to adapt to the complex of measures on introduction of the new economic-financial mechanism. What is decisive is sustained activity, perseverance, high responsibility from all cadres and organs of worker self-leadership to demonstrate in the practice of each enterprise and in its current and long-range activity the functions of each component of this mechanism, taking into account that shortcomings in the use of one lever affects the efficiency of utilizing others. The concept must be implanted of not permitting, for any reason, the adopting of certain decisions and launching of certain technical and economic processes until they are known thoroughly as well as the immediate and future implications on efficiency

and until the resources which guarantee achievement of what has been established are obtained.

The failures in fulfillment existing in the use of the budget of incomes and expenses bring out the urgent requirement of achieving a quality leap both in substantiation as well as in use of it so that this tool plays the role it has in the firm application of the demands of the new economic-financial mechanism. In this regard, Comrade Nicolae Ceausescu again stressed at the RCP CC Plenum of 31 March 1982 the need for giving special attention to application of the new economic-financial mechanism and to increasing profitability and economic efficiency so that worker self-leadership and self-management actually become basic forms of leadership at all levels. "We must understand that we must do everything so that each sector, each finished product bring a profit; each leu spent should bring a profit. On this basis, let us achieve a general increase in the national wealth and the national income--the only way of providing the resources needed for broadened reproduction, general development of production forces and of our society and rise in the people's material and spiritual standard of living."

Consistent application of the principles of the new economic-financial mechanism in accordance with the special demands established at the March 1982 RCP CC Plenum requires utilization of the budget of incomes and expenses with greater efficiency, broad demonstration of its functions as a basic tool for strengthening the responsibility of the organs of worker self-leadership and each worker for achieving a high-quality production with minimum expenses, with the highest possible profitability and efficiency in the interest of our entire society and of continuing to raise the people's well being.

The plan for production costs should become an inseparable component of the budget of incomes and expenses.

The enterprises and centrals should be given material incentives to a greater extent so that, through the budget of incomes and expenses, they take on tasks of incurring expenses per unit of product and useful effect in general, smaller than those forecast in the standards and norms in effect; a greater share of the planned profit obtained in this way should remain at the economic units' disposal to raise the potential for self-financing and for paying back the funds received from society faster, while a certain share should also supply the funds for material incentives for the worker personnel. It would be necessary for this for the budget of incomes and expenses to separately keep a record of the profits obtained in this way.

Closer cooperation of the enterprises, centrals, ministries and people's councils in working out and substantiating the budget of incomes and expenses in a way that is similar to how it is achieved in working out the economic plan.

Firmer application, according to the principles of socialism, of the legal provisions for material responsibility for preventing and recovering uneconomical expenses. These expenses must be supported by those collective members due to whose fault the failure to fulfill the work duties was produced. When establishing of personal responsibility for certain amounts is not possible, their amount should affect the profit remaining at the enterprise's disposal and only after that should allocations be made for their own funds.

The credit system should bring the enterprises' concern for the highest possible efficiency in management of funds. Paying back the credits given the enterprise to complete its own funds should be made from these funds according to their planned establishment.

The profit which can be obtained by utilizing credit not paid back on schedule in the particular period should be deposited into the budget as improper profit, while the interest for this credit should be borne by the worker personnel guilty of this fact.

Allocations for establishing funds for an economic purpose should be made only from the planned profit and to the extent to which it is achieved. Depending on the economic means for obtaining it, certain amounts should be allocated from the profit beyond and above the plan only for funds for material incentives for the workers' collective, while the remainder, which would have the greater share, should be deposited into the budget.

The budget of incomes and expenses should be conceived down to each work formations. Normative acts in their models should include a certain number of indicators and obligatory elements for working out the budget of incomes and expenses at the level of each link in the enterprise.

The degree of steady achievement of certain indicators of efficiency provided in the budget should be a condition for giving pay to the leaders of each link in the enterprise, including the work formation.

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CSO: 2700/242

PROPER ROLE FOR 'MICROPRODUCTION' CONSIDERED

Bucharest SCINTEIA in Romanian 6 Mar 82 p 4

[Article by Vlaicu Radu]

[Text] Microproduction activities are an important aspect of the work carried out in our scientific research, technical engineering, and higher education. They are not often mentioned explicitly, perhaps because they are understood, or more exactly should be understood to be--a fine point which we shall discuss further--as an implicit part of research itself. We might say that it represents the first step, the starting rung in the natural process, which is not at all simple and not always clearly defined, in the generous concept which the secretary general of the party, Nicolae Ceausescu, has repeatedly and justifiably stressed, and which he continues to stress: the increasingly deeper involvement, the ever expanding integration of scientific research and higher education in design and production. That the significance of this requirement has been understood by those who serve our science, can be demonstrated by the fact that a large portion of the new and redesigned products, before being assimilated by industry, was first built in the micro-production shops of our research institutes.

This activity has grown appreciably year after year; in 1981, the volume of microproduction amounted to more than 2.2 billion lei, that is, 18 percent more than in 1980 and over 100 percent more than in 1978. The growth of microproduction's importance in the activities of our scientific research, technical engineering, and higher education units, is measured by its share in the total income of these units. There are in fact some research and higher education units in which microproduction is one of the basic activities, bringing in 50 to 100 percent of their income.

A discussion of these aspects, and of the situations encountered in many research units, demand a clarification of the fundamental problems of microproduction activities. To begin with, we believe it is necessary to establish a unified concept about the body and scope of microproduction. That such a concept does not yet exist, is illustrated both by figures which show the different proportions of microproduction in the activities of research units, and especially by an analysis of the microproduction structure.

If we start by understanding that microproduction is an integral part of the research-design-production process, intended to derive immediate value from, and verify under production conditions, the results and efficiency of local research before they are introduced in the production of specialized units; to prepare the way for the assimilation of the developed products and technologies; and to create conditions for introducing and eventually expanding research results in a production environment; we then note that microproduction activities do not always meet these demands. We encounter situations in which improperly oriented microproduction has an undesirable influence, and even hampers the scientific research and technical engineering work. An analysis of microproduction in recent years discloses that ministries which coordinate plan tasks--increasingly larger ones every year--have charged research units with the construction of products that are not strictly associated with their own research activities, or which in the best cases were the subject of research four, five, or even more years earlier. This covers not only normal small-scale or low-tonnage production, but also intermediate and mass production products, as well as products or services for third parties. Indeed, in many cases, the proportion of these activities is very large, as a whole representing more than 40 percent of the total volume of microproduction. This ties up facilities, progressively blocking access to them for basic projects, such as prototypes and experimental models, or the testing of new technologies, all of which constitute basic activities for institutes. Situations like these were encountered at the Institute for Scientific Research and Technical Engineering for Electromechanics (ICSITE), at the Ploesti Refineries ICSIT, as well as at the Institute for Chemistry and the Institute for Isotopic Technology in Cluj-Napoca.

Under some circumstances, research institutes concerned with meeting their value goals, must agree to manufacture products which barely require the level of qualification of journeymen. Did those who decided last year that chalkboards should be manufactured at the Institute for Power Research and Modernization (ICEMENERG), really believe this to be the place with the greatest competence for making this product? Or similarly, that hundreds of thousands of PVC soles could be manufactured only at the Institute for Leather and Footwear Research, and that the same product could not have been made by any work cooperative? It is clear that the only outcome of such situations is to minimize the concept of microproduction, lending to this activity the character of an end in itself.

Some products are too old, having aged while still in the microproduction stage; industry assimilates them with difficulty, and quite often, due to the existence of specific technical-economic indicators for microproduction, the large industrial enterprises and combines refuse to assimilate these products. This result is that research units often manufacture products in industrial quantities under non-industrial conditions, thus increasing the cost of these products, reducing labor productivity, and tying up the qualified personnel assigned to research activities.

There is no question that microproduction is absolutely necessary as a complement to research activities, to help reduce the research-design-production cycle. The almost unanimous opinion of those interviewed, is that certain activities in the present structure of microproduction, and especially those intended to fabricate products which will reduce importations, and whose small quantities or weights make them uneconomical for existing industrial units, must be carried out primarily in special units with good equipment, installations, and instruments, with specially

trained personnel, and with their own plan indicators. Such small industrial units, small shops, are much more flexible, more adaptable to change, and have a greater affinity for renewal and technical innovation; this has been found to be true in practice throughout the world, and demonstrated by the new production facilities that operate independently, or even as part of certain research units in our country.

Considering the increasingly high growth rate of microproduction volumes, it would be extremely useful to formulate a unified methodology which would define clearly and precisely--eventually even by groups or categories of research units--the content and scope of microproduction, and which would provide uniform solutions to problems in planning, monitoring, and reporting microproduction results, so that this activity will contribute to the proper performance of scientific research, for the benefit of research and of the national economy as a whole.

11,023
CSO: 2700/239

NEED FOR EQUITABLE PRICE RATIO BETWEEN AGRICULTURE, INDUSTRY

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[Article by Dr Traian Lazar, section chief at the Institute of Finance, Monetary Flow and Prices: "Equitable Price Ratios Between Industry and Agriculture"]

[Text] The process of developing and modernizing the national economy is, at the same time, the process of furthering the social division of labor and intensifying the exchange of activities between production branches, sub-branches and sectors.

In the history of the Romanian economy, and especially during the years of socialist construction, the most complex and powerful production ties have been created and developed between industry and agriculture - basic branches of our national economy.

The Romanian Communist Party and our state give special importance to the continuing and harmonious development of both industry and agriculture and all the branches of the economy. In his report given at the 12th RCP Congress, comrade Nicolae Ceausescu stressed: "In accordance with the fundamental objective of the coming five year plan, we will ensure the proportional and harmonious growth of industry and agriculture and all the branches of the national economy and the achievement of an optimum balance between the different sectors for the purpose of satisfying the needs of the general progress of society to an ever greater degree and of continuing to improve the material and spiritual well-being of all our people."

The accomplishment of this type of fundamental objective of economic development is guaranteed, first of all, by the sustained policy of investments and developing and modernizing the material base of production in industry, agriculture and the other branches, as well as by the group of measures of great importance taken during 1981-1982 regarding the updating and improvement of production and delivery prices in industry and production, contracting and acquisition prices in agriculture. In pursuit of the same objective are the exceptionally significant and necessary measures regarding the rebasing and correlation of agricultural product prices on economic principles, the increase in the retail prices of foodstuffs and the increases in the salaries to the workers, state allowances for children and pensions.

The correct evaluation of the economic results in industry, agriculture and all the branches of the national economy, the provision of the necessary economic-financial balance between branches, the spurring of an exchange of activities between these branches, the expression of the actual contribution of each branch to the creation of national income, the stimulation of the growth of production and economic efficiency in each sector of activity and the strengthening and development of the worker-peasant alliance on lasting bases are achieved under conditions of ensuring an appropriate relationship between the prices of industrial products and the prices of agricultural products.

For that reason, one of the economic problems of special importance is the placement of economic relationships between industry and agriculture and the exchange of goods between the city and the village on economic bases, and the creation of an appropriate relationship between the prices of industrial products and the prices of agricultural products, as well as between these and the retail prices of consumer foodstuffs.

The placement of the prices for industrial products and the prices for agricultural products, and all prices and charges in the economy, on economic bases has been a permanent concern of our party and state, especially since the 1967 National RCP Conference when comrade Nicolae Ceausescu pointed out that one of the main shortcomings of our country's pricing system was that a series of prices were being established without taking into consideration the social costs incorporated in these products.

Over the years, to the extent of the requirements and possibilities existing in the economy, the production and delivery prices for industrial products, including those industrial products slated for agriculture, were reset and improved for the purpose of correlating them with production costs. In this regard, we can note as important actions the general resetting of production and delivery prices in 1974-1976, as well as the updating and improvement of these correlations, on the basis of economic principles, for these prices on 1 January 1981.

And in agriculture, over the years, there have been some improvements, although it is true they are less noticeable, in the purchase price for some agricultural products. During the 1970-1982 period, these totalled, together with the production bonuses, over 25 billion lei, that is, an increase in agricultural prices of approximately 30 percent, an increase that will be achieved, naturally, under conditions of obtaining the planned levels of production and the deliveries that are scheduled to be made to the state fund. The increase in agricultural product prices was necessary in order to cover material costs and all the necessary production costs in agriculture, as well as to increase the incentives for agricultural producers.

It must be pointed out that for many years, as a result of certain specific requirements and possibilities that existed in the economy, the prices in agriculture did not permit covering the necessary production costs for all

products and activities, year after year recording losses in the administration of agricultural units. In other words, even in the case where agriculture had no part as an influence in increasing certain prices and charges in non-agricultural branches or activities or in introducing the principles of the new economic-financial mechanism in all units, the improvement of the prices for agricultural products and the assurance of normal profit levels for all agricultural products and in all agricultural sectors were required as an objective necessity.

A concrete way of expressing the industry-agriculture price relationship lies in determining the quantities of agricultural products, for example, wheat, corn and so forth, that must be sold in order to buy an industrial product (a tractor, a sowing machine, a combine, a ton of chemical fertilizer and so forth).

As an example, we are presenting the results of calculations regarding the amount of wheat that must be sold by agriculture in order to pay the price of one horsepower in a wheeled-tractor or for one tons of chemical fertilizer (useful substance) over the period 1970-1982:

The Amount of Wheat Needed for One Horsepower in a Wheeled-Tractor and for a Ton of Chemical Fertilizer (Active Substance) Over the Period 1970-1982

Anii	(1) CANTITATEA DE GRU VINDUTĂ PENTRU A CUMPĂRA :			
	(2) Un CP tractor pe roți		(3) O tonă de îngrășămintă chimice (s.a.)	
	kg	%	kg	%
1970	810	100,0
1975	965	119,1	2 300	100,0
1976	980	121,0	2 285	99,3
1977	1 010	124,7	2 315	100,7
1978	1 035	127,8	2 305	100,2
1979	1 085	134,0	2 288	99,5
1980	1 120	138,3	2 360	100,5
1981	985	121,6	2 150	93,5
1982	850	104,9	1 800	78,3

Key:

1. Amount of Wheat Sold in Order to Buy:
2. One Horsepower in a Wheeled-Tractor
3. One Ton of Chemical Fertilizer (active substance)

Year after year during the 1970-1982 period, agriculture had to sell an ever greater amount of wheat in order to pay for each horsepower in a tractor. This occurred especially as a result of changes in the structure of the products, delivering to agriculture a larger amount of products that had had price increases, such as, for example, 80 hp and 180 hp tractors or basic phosphorus fertilizer. At the same time, wheat prices remained practically unchanged.

For chemical fertilizers, we could mention a certain tendency of decreasing amounts of wheat needed to pay for a ton of fertilizer. This is true, this quantity is on the decline, but its level still remains high. The cost for the amount of wheat needed for a ton of fertilizer is nearly double the cost for a ton of fertilizer. At the same time, we can point out that in other countries, for example in the United States, the amount of wheat needed, on the basis of price relationships, for a ton of complex fertilizer is below 1,000 kg. For tractors, the relationships are fairly close to those in our country.

Beginning in 1981, the amount of wheat for one horsepower is declining, reaching an appropriate level. The calculations show that the production costs to obtain 833 kg of wheat are close to the costs of one horsepower in a wheeled-tractor; and the average costs of 1,800 kg of wheat are close to those for a ton of complex fertilizer. The balance with regards to costs, social labor costs and the actual efforts made to produce the products that change between industry and agriculture represents an essential condition in achieving an appropriate relationship that is equitable between the price of an industrial product and the price of an agricultural product.

The basic, decisive problem for improving prices is and will always be the reduction of costs on the basis of increasing labor productivity and the quantity and quality of production.

Once we have an equitable economic and social framework between industry and agriculture and between the workers and the peasants, through the pricing system, the salary system, the pension system and so forth, we cannot forget that the fundamental facet of the worker-peasant alliance is the alliance in production and cooperation in material production. Industry produces the means of production for agricultural production, and these means of production must be of high quality and be efficient not only from the point of view of the producer, but also for the agricultural user, perhaps most importantly for this user. Agriculture must use the means of production and the manpower at maximum levels and must ensure the growth of agricultural production and deliveries to the state fund. Thus, we are not talking merely of an alliance with regards to consumption and there is no need of an argument in order to understand that without production there is no consumption or that one cannot consume more than is produced. Similarly, one cannot consume "figures", but only real material goods, items of real use. This is also the source of the need to achieve a complete agreement between the value figures given by prices and the physical production that is obtained, the amount and quality of the use value for the products in the economy.

It is absolutely necessary to adhere to the correlation between price and technical-economic and functional parameters for all the products delivered to agriculture and the other branches in such a way that the delivery price per parameter, under conditions of certain normally established prices, will show a decrease or, in the worst case, be maintained. Such a strictly necessary correlation is, in general, respected in the practice of setting prices, being able to show very many examples, as well as summarized situations.

But, there are also cases where increases in production prices are not correlated with increases in the technical-economic parameters of the products and with the use values. Thus, a selective investigation conducted on a group of wheeled-tractors made for agriculture showed, for example, that over the 1975-1980 period the average price per horsepower for these tractors increased by approximately 12 percent, or from approximately 1,260 lei/hp to approximately 1,400 lei/hp. The increase in the average price per horsepower for wheeled-tractors is due to the much greater per-horsepower price for the high capacity tractors that were introduced in recent years. Thus, for a 180 hp tractor, the per-horsepower price is over 2,350 lei compared to 1,240 lei for 65 hp tractors and 1,215 lei for 45 hp tractors.

Normally, along with technical progress, the improvement of production technologies, the application of measures to reduce raw material and material consumption, and so forth, the per-horsepower price should decrease for the new tractors and the new capacities, primarily on the basis of reducing costs.

As a result of the uneven evolution of the relationship between the production and delivery prices and the work capacity of wheeled-tractors, the costs and efficiency of agricultural work are negatively influenced. Thus, for example, the cost of plowing with an A 1,800A tractor is 40 lei/hectare higher than in the case of using a U 650M tractor. And, such price increases for industrial products cannot and must not, in our opinion, be reflected in the costs of agricultural products or in their sale and retail prices, since they are not determined by objective production or trade conditions. Similarly, an analysis conducted in connection with the financial results of agricultural mechanization stations in 1980 showed that approximately 1.5 billion lei of the total cost overruns were recorded in spare parts and other materials needed for the repair of agricultural tractors and machinery, where large, higher than estimated price increases were applied.

Along this line of thought, a case study of the self-propelled four-row corn harvesting combine, produced at the Bucharest "Semanatoarea" Agricultural Machinery Enterprise, showed that just by eliminating from the total sum of production costs the net income (totaling over 22,000 lei) contained in the delivery prices for the subassemblies obtained by cooperating with 12 in-country industrial units, the costs for this product could be reduced by approximately nine percent and the production and delivery prices by 8.6 percent. And, this could be done merely by changing the "methodological concept".

Special conditions are called for and must also be respected in connection with the quality of the agricultural products that are delivered to the processing industry, the food industry, light industry and so forth, and to the retail sales units for the people. As is well known, there are many shortcomings in this field which have been repeatedly criticized by the party leadership.

Another facet of equitable cooperation between the city and the village is one where, if the industrial products have sure official prices and are sold only through state trade units, the agricultural products will also follow

the same sales and pricing system, strictly adhering to the legal provisions regarding the sale of agricultural products solely through state units and only in the cases of the exceptions that have been outlined by the producers themselves. It is necessary to work with all firmness against any type of speculation on any type of products.

The problem of economic and social equity and of cooperating and alliance between the working class and the peasantry in the area of economics cannot be dealt with and, especially, resolved overall, generally, just by understanding and reflecting actual, specific production conditions in economic categories such as prices.

The new regulations on purchasing agricultural products have achieved a unification of the prices levels for the types of ownership (state agricultural units, cooperatist units and individual, private farms). These regulations do this keeping in mind the creation of similar technical-material production conditions in both the state sector and in the cooperatist sector of agriculture, as well as the need to stimulate to a greater degree all agricultural producers to increase agricultural production. The continuing maintenance of certain purchase prices for agricultural products that are different in the state agricultural enterprises and the agricultural cooperatives, that is, lower prices in the state agricultural farms and prices that have remained unchanged for a long time, no longer correspond to the current conditions of development in agriculture. This was negatively reflected in the material incentives system for increasing agricultural production, as well as in the framework of the cooperation and production cooperation relationships of the state agricultural units and the cooperatist sector.

Under these conditions, the need arose, as would be natural, to uniformly set the prices for agricultural products by eliminating the existing differences between the prices of the agricultural products by category of unit. The establishment of unified prices, regardless of the type of ownership, is a requirement of the development and homogenization of socialist agriculture which is actually carried out along with the closing of gaps in production conditions in all the agricultural units in a certain pedoclimatic region. Thus, it is normal for the prices of agricultural products, and all prices, not to depend upon the type of ownership.

But, in a totally different manner there is the problem from the point of view of the specific regional production conditions under which the agricultural units carry out their activities. These conditions are not the same in all the regions of the country: they differ depending upon the soil, climate and so forth. It is true that the continuing penetration of technical progress and advanced technologies bring together and make easier the production conditions of the agricultural units located in the different regions of the country. But, right now, and probably for a long time to come, there will be differences in and influences from the natural production conditions in agriculture. Precisely for this reason, the Council of State Decree regarding the contracting for and acquisition of crop agricultural products, approved

in December 1981, reflecting this objective reality, calls for the prices for the main agricultural crop products (wheat, corn, sunflowers and so forth) to be differentiated according to regions by the Ministry of Agriculture and the Food Industry, with the approval of the State Committee for Prices and within the framework of the approved average price. In this manner, we are keeping in mind the requirements of applying the new economic-financial mechanism and the principle of worker self-management, self-administration and self-financing in all the sectors and units in agriculture.

What is essential is that this provision from the decree must be adhered to precisely, since only in this way can the agricultural producers in all the production regions be stimulated. The stress is even more necessary since long ago a system was instituted for having differentiated contracting prices by counties. And, certain complex analyses also conducted by certain investigative groups from the Institute of Finance, Monetary Flow and Prices showed that the system of differentiating contracting prices by counties - if the county is considered unified from a pedoclimatic point of view - insufficiently stimulates production in the agricultural units since the agricultural units within the same county can have different production conditions. For that reason, in the spirit of the aforementioned decree, it is necessary for the differences in the production prices and the contracting and acquisition prices to be applied according to pedoclimatic regions of agricultural production, such as regions characterized as plains, plateaus, hills, sub-mountainous and so forth, that is, according to actual production conditions. Just how important this is can be seen in the following example. If we compare two large pedoclimatic agricultural regions of the country - the Baragan Plains and the Transylvanian Plateau, we find that in 1980 (the data can be confirmed in other years as well) the cost per ton of wheat in the agricultural cooperatives was 40 percent greater in the Transylvanian Plateau than on the Baragan Plain (approximately the same difference exists between the average per-hectare production), while the contracting prices in the system differentiating by county were only approximately 5 percent greater in the plateau region. For corn, the costs per ton were approximately 50 percent greater in the plateau region compared to the Baragan Plains, while the price differentiation was maintained below 10 percent.

On the grounds of economic equity, the differentiation of purchase prices in agriculture by regions cannot make an abstraction of the principle whereby increases in necessary production and actual equal profitability must be approximately equal. This is, actually, the essence of the group of measures regarding the resetting and improvement of correlations for production, contracting and acquisition prices on economic criteria. To date, things had been completely different. Thus, for wheat, beginning with the purchase prices and the average costs recorded for the period 1976-1980 the calculations show that the average profitability in Maramures County was .4 percent, in Harghita County - 5.8 percent, in Bacau and Vaslui counties - approximately 9 percent, while in Bihor, Braila, Neamt, Suceava and the Ilfov Agricultural Sector - over 40 percent. Similarly, for corn, while Harghita and Salaj counties show losses, the average profit levels in Caras-Severin County was 1.6 percent, in

Bacau and Constanta counties - between 8 and 9 percent, in Arges, Galati and Suceava counties - over 50 percent, and in Braila, Calarasi, Giurgiu and Ialomita counties - over 60 percent. For sunflowers, the profit levels show differences between 10 percent in Caras-Severin County and over 67 percent in Buzau County, 65 percent in Teleorman County and 63 percent in Braila and Prahova counties.

Normally, these differences in profitability should not have existed, keeping in mind that these products are strictly necessary for creating the state fund of agricultural products and the agricultural units that produce them must apply the new economic-financial mechanism and maintain their own balanced budget of incomes and expenditures. For that reason, the level of profitability and the costs, with these being figured as those socially necessary, must be equal or at least very close for all regions. This does not mean that the amount of actual profits will be equal. They may be different, just as one unit or another succeeds in obtaining production at cost levels greater or lower than those standards that were used in setting the purchase prices.

Having different purchase prices for agricultural products by regions has a thorough support of substantiation in scientific studies and research regarding the classification of soils and the zoning of agricultural production. On the basis of scientific studies in the fields of pedology, biology, mechanization, chemicalization, land organization, agricultural production zoning and current norms regarding material consumptions (seeds, fertilizers, fuels, amortization, fodder and so forth) and labor, and keeping in mind the levels of production that can be obtained, it would seem necessary to draw up maps regarding the costs and prices for production, contracting and acquisition by pedoclimatic regions. In any case, the most correct possible setting of prices for agricultural products is closely tied to a well-substantiated zoning of agricultural production both in the crop sector and in the livestock raising sector, as well as to the rational, maximally efficient use of all existing resources and intensive factors in the production processes.

Certainly, in regional profiling there are, to the extent of profiling and furthering the specialization of agricultural production, tendencies of bringing together the actual production costs and, on this basis, the possibilities for bringing together prices and the levels of profitability, but this can happen only under conditions where the structure of production responds to specific pedoclimatic conditions.

By their nature, prices represent the synthetic expression of certain relationships, correlations and interdependencies in the processes of material production and economic and social development.

It has been a stringent necessity that in the system of ties and fluxes of the national economy to create equitable relationships between all the categories of prices based on economic criteria and real costs and profit levels. This objective, lawful requirement is answered by the group of

especially important measures regarding the resetting and correlation of agricultural product prices on economic principles, the increase of retail sales prices for food products and the increase in workers' salaries, state allocations for children and pensions, measures corresponding to the general interests of our country's economic and social development.

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ANDOV INTERVIEWED ON RELATIONS WITH EUROPEAN ECONOMIC COMMUNITY

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 12 Apr 82 pp 18-20

[Interview with Stojan Andov, member of the Federal Executive Council and head of the Yugoslav delegation in the Joint Yugoslav-EEC Commission, by EKONOMSKA POLITIKA staff: "Preparations for a New Phase"; date and place not specified]

[Text] The first 2 days in April there was a meeting in Brussels of the Joint EEC Commission in which possibilities were examined for further development of economic cooperation between Yugoslavia and the Community. Our delegation was headed by Stojan Andov, member of the Federal Executive Council. We talked with him about certain aspects of our country's relations with the EEC, on the prospects being opened up and how they are being used. We have freely edited the extracts of the interview given below.

EKONOMSKA POLITIKA: You have just returned from Brussels. You must have gained some new impressions, new views. What are the prospects of our relations with the EEC, how are problems to be resolved in specific terms, since in principle we know what is required?

Stojan Andov: I think it is very important to realize that the agreement, as it has been set up, offers the legal basis and institutional framework for broader cooperation between Yugoslavia and the European Community.

EP: Who has not yet ratified it?

Andov: West Germany and Yugoslavia. Why is that important? We are now mentioning the problems which we have. The problems are on both sides: problems which arise out of the measures of the Community, out of the disposition and situation in the Community, and the problems which arise out of our own domestic conditions here. I will leave the latter to one side, since that is another topic--the process of stabilization.

I would say that there are two parallel processes taking place in the Community. One is the process of change, of structural adaptation of the economies of the members of the Community. This process has affected practically all the member countries to a greater or lesser extent, and it also has its own differing components. One of the most important is adaptation in the energy sector. From energy conservation to new sources of energy, to optimum energy use, and so on.

And then structural adaptation affects the so-called sensitive sectors and brings them to the surface for the attention of the member countries of the Community. Sectors in industry in which the Community, because of the specific way in which production is organized, is obviously losing the advantages which it had and is being subjected to strong competition--above all from certain moderately developed developing countries. This is the clear problem with textiles; and it is more and more a problem in leather processing and the production of footwear, though they have not yet been included in the sensitive sectors, but the question is whether they will not become so when Spain enters the EEC.

EP: What is the situation with ships?

Andov: It can be expected that there will be new sensitive sectors and that certain difficulties will arise therefrom. And then there are sectors which are also sensitive and cannot withstand competition, such as ferrous metallurgy, shipbuilding and those types of production in which the products of ferrous metallurgy are incorporated in a low phase of manufacture. However, the competition from the developing countries is not strong in this sector, and that is why they cannot be included in the sensitive sector. The principal competitor is Japan.

At the same time intensive work is being done in the Community to develop the so-called propulsive priority sectors. Here they begin in a sound way with scientific research--say, in the fields of telecommunications, biological engineering, and so on--and they program the period when that research and those results will begin to flow into production. After all, the overall restructuring in the Community is not aimed at reducing the production organism of the Community, but at expanding its capabilities and at putting it on a broader scientific foundation with less direct productive labor.

In the course of the reorganization the Community has a joint trade policy. There is no joint industrial policy. It is obvious that whether they like it or not they have in certain efforts shaped the concept of a joint industrial policy, at least at certain points, though they do not proclaim it--of a joint energy policy, especially in organizing and exploring new energy sources, in the sector of biomechanics, telecommunications, and so on. The Community is also gradually taking on a different shape from within than the one we know of from documents. To some extent it is being shaped into an organism which potentially has very great economic power, though even now it is powerful. In that overall restructuring of the economy, there are also sensitive sectors, there are weak points, the structural discrepancies, points which are causing protectionism or imparting that orientation and thus a departure from the principles of world trade. This especially applies to the farm sector--where they have an organized farm market.

The second process is the Community's expansion. At present the process of expansion has obviously oriented the Community toward the Mediterranean. Greece is already in, most probably Spain and Portugal will soon be. It is obvious that a process of Turkey's rapprochement with the Community is also taking place. Consequently, when the process of expansion is combined with

the situation within the economy inside the Community and with the internal process of restructuring, it is obvious that this process of expansion will bring additional difficulties, but also advantages in the process which we have described.

It will bring difficulties because in certain sectors there will be competition from those countries to the industry and economy that already exist. Spain, say, is extremely strong in the processing of leather, footwear, and so on. It is good in textiles. It is also strong in steel, strong even in shipbuilding. In other sectors the market is expanding. Through the expansion of markets the productive forces of all the member countries of the Community actually receive a new thrust, a new chance, new opportunities, and that is the main purpose of the expansion.

We should also bear in mind that a certain curtailment of possibilities for the marketing of goods from third countries on the market of the countries of the Community has been the first immediate result for third countries of the shaping of the Community and its expansion. This is a process of closing the doors to third countries. Certain measures have also served this purpose and been related to it. In one sector these measures have a markedly protectionist character. This is, say, agriculture. We must be aware that everything that is happening in the Community--both the difficulties in resolving the question of the agriculture of that continental part which is not Mediterranean and also expansion with the Mediterranean part--has a direct bearing on Yugoslav agriculture and Yugoslav exports. This process and these difficulties in the Community actually have a double relevance for Yugoslavia because the agriculture of the northern part of France, West Germany, Denmark and Italy is with respect to the production structure competitive to our strong agricultural producers, those, say, in the Pannonian plain and so on. All the rest which has elements of Mediterranean production in our country--in the production of fruit, vegetables, grapes, and so on--all of that is competitive with the southern members, especially after the expansion. Accordingly, it will be extremely difficult for our agricultural exports in the period to come, as in fact it has been in the period up to now. We have to make exceptional efforts here, especially since in this sector of our overall cooperation we have the least solid legal basis, since in this area they simply did not allow us to build anything firmer in the agreement. If you recall, the first expansion of the Community from six to nine members resulted in a considerable drop in our agricultural exports to the market of the Community, and the expansion with Greece a new drop.

In industry it is now becoming obvious that our cooperation with the countries of the Community must be put on a somewhat different basis. Our rights on the basis of the agreement are now of a different nature. These are not rights solely in the commercial sector. Broader consultations and broader activities are envisaged. At the right time we can raise the question of consultation in the domain of industrial cooperation so that we might obtain accurate information concerning plans and the real processes of restructuring, about what is being prepared in the sensitive sectors, in the sectors which are being given priority in development and which are being aided. That would also make it possible for our economy to become part of those processes, to keep up with

them with our own adjustments, our own production orientation, our own commitments in terms of engineering, technology, the training of personnel, and so on.

EP: You mention this as a task of the future. They say in the Community that they have already gone further than that, that they have already identified the sectors which come under consideration: machinebuilding, the metal manufacturing industry, the electrical products industry, household appliances, mining equipment, nonferrous metals, certain products of the chemical industry, metallurgical products and certain food products.

Andov: That is what we are proposing to them and asking of them. We have declared those sector as of interest to us for industrial cooperation and for consultations to begin on this matter. It is important that we be up to date on everything that is happening in all those sectors of theirs, to see where the joints are, to see what we can establish and do and how we can do it. At present, solely on the basis of the trade agreement, we can only read what they are doing.

We do not have an organized procedure with the Community for consultations on industrial cooperation.

EP: You speak about an institutionalized form of consultations. Regardless of that we do have institutes, we have federal secretariats for federal trade, for foreign affairs. We thought that a study was to be made there as to how their structural adaptations were going and where there was room for us.

Andov: We now have the right on the basis of the agreement to initiate talks on division of programs, on joint development. That is the advantage of the new agreement. As to whether we have kept pace or not kept pace with what is being done in the EEC, up to now the method of keeping up has been such that it might serve for publication in a paper, so that the persons monitoring the situation could show in some meeting that they know something. That phase is behind us. We now have a new phase, and it is for that we should prepare. If the essence of the agreement is not grasped, we cannot prepare and organize ourselves to utilize all the advantages which it affords us.

If we are to be always in a situation of being able to take real initiatives and to give them a true form, a form that affords the possibility of their being realized, the question is whether we can survive in Brussels and realize those advantages with a mission that is so scantily staffed. This is a very important question. Another question is how to organize ourselves thoroughly from an institutional standpoint here in the country so that our delegation in the Council for Cooperation can be fully in a position to utilize all the advantages which the agreement affords, so that cooperation would be furthered on a more uniform and coordinated basis.

To keep up with certain processes of a more lasting nature in the development of technology and the organization of work and in sectoral adaptation and restructuring it is not enough to make a decision and set up an organizational chart and give moral and political motivations to all the organisms involved

in that action. What is needed is to begin to create the economic stability of all those organisms on a sound basis. This is a process which has to be carried out within the country. It is clear that we must have a stable currency, above all for the sake of our organizations of associated labor. Otherwise they will completely lose their bearings. Subjective decisions and random events in the sector of pegging foreign currencies will determine the acceptance at some particular point of a transaction which is obviously failing in world development processes, but would make sense in that context.

Or, say, to demonstrate with the stable dinar, with a realistic rate of exchange, that it is worthwhile to adopt an orientation toward new technology, toward keeping up with these processes.

It is not possible for someone to enter into a division of labor, a division of programs with some trading partner in the Community, and then to base his profitability on undefined conditions for setting the rate of exchange of the dinar here in the country. People have to know what is the domestic price and what is the foreign price if they are not to be exposed to convulsions.

Assessments to the effect that it is possible to go out into the world, especially into the industrially advanced countries, and create a stable position for the domestic economy in relations with those countries when there are a random number of transactional rates of exchange of the dinar within the country, when the role of the domestic currency in economic life has not been defined--that is a hopeless matter. It is very difficult to expect anything realistic, since this by no means gives the foreign trading partner an assurance that a firm and lasting decision has been taken in the particular OUR to be present on that market, to establish lasting relations and ties, while on the other hand, it does not give trading partners assurance that it is at all possible for some economic entity to make firm and lasting decisions. This after all depends on a host of random factors, uncertain deliveries, and various transactions. But it is not my wish on this occasion to raise those issues as a whole.

I took up the question of the stability of the dinar because it involves all the rest. We are exhausting ourselves with assertions that the economy is not organized and so on. However, it has been shown that it can quickly organize itself when it is motivated by income. Whether or not it is organized depends on the situation it is put in.

EP: In the EEC and not just there criticisms are being made of our legislation; they say that it is a hindrance to expanded cooperation. In this connection they are thinking of regulations and joint ventures, industrial cooperation, though, they say, they are not competent to undertake that, concerning patents, concerning sales of medical drugs. The Community has even sent certain memorandums to that effect. On several occasions we have officially announced that we were undertaking changes, improvements, and so on, but time is passing, and nothing has been done. Is there anything new in this area?

Andov: The process has begun of amending and supplementing certain pieces of legislation. I expect that quite a few amendments will be made to the drafts

which have been prepared. Federal agencies have carefully studied the soundness and argumentation of all the suggestions which have come in....

EP: Last July we published an inventory of almost all the criticisms and suggestions which had come from outside. It seems to us important that our partners know that work is being done on this.

Andov: The legal possibilities will be created for our work organizations to enter into relations through which they can keep up with technology, achieve more up-to-date production, and so on, under more favorable conditions and more successfully. When we examine past experience with cooperation programs, most, it turned out, came down to exploitation of the Yugoslav market by the foreign partners. The results with respect to modernization and expansion of exports to the convertible market were considerably less in evidence, though that also did occur.

EP: People in the EEC are surprised that we are not using the credit extended to us by the European Investment Bank (EIB) in excess of \$200 million. What is happening with this, why are we not using credits which along with those of the World Bank are the most favorable which we have gotten, far more favorable than those we have taken on the open banking market, since the rate of interest is relatively low, 10 percent, when others are twice as high, and the repayment periods are longer?

Andov: The World Bank is less favorable, since it requires a higher use of domestic accumulation, while the EIB seeks less. All other credits we are using are less favorable than the credit of the EIB. It is, of course, extending credits for projects which are of common interest to us and to the EEC, for construction of highways, railroads, power transmission lines.

If our foreign exchange system were functioning, if the dinar were the only means of payment in the country, that would be very attractive, since the foreign exchange obtained from the EIB would be channeled into the foreign exchange market. Accumulation would be assembled in dinars and would go to construction of the projects agreed on, which as a rule do not require a great deal of imports.

EP: It seems to us that still more credit might be obtained to build transportation routes, since after Greece entered the EEC Yugoslavia became more interesting as a transit country.

Andov: It should be stated straightforwardly that our possibilities as a transit country are becoming stronger now in connection with Greece's entry, but also in general, since the EEC is maintaining relations with the Near East across our country. At first it is the limited access highway that is probably of the greatest interest, but equipping the railroads is extremely important. Actually the possibilities opened up by modernization of the railroads are greater. It goes without saying that we must make better preparations for that.

7045

CSO: 2800/376

UNEMPLOYMENT/EMPLOYMENT SITUATION DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 12 Apr 82 pp 16-18

[Text] Employment is becoming a hot topic of public debate and comment, above all because of the social and political implications that a growing army of the unemployed could have. The datum that 800,000 people have already registered with employment security communities (last year's average was 808,623) is being accompanied by comments to the effect that employment has become a social problem of the first order and by the implication that the rate of unemployment is a "pressure cooker" of young people's dissatisfaction. The social welfare aspect is being kept stubbornly at the center of attention. There is talk of "solidarity" and of the need to "provide jobs" for those who still do not have them. Quick-fix solutions are being sought to thrust as many unassociated workers as possible among the associated workers.

While one is far from the thought of denying the importance of increasing employment, it must still be noted that the retention of the tried and true repertoire of ideas and solutions for reducing the pressure of the unemployed has clouded over to a fair extent the question of what is the cause and what the consequence.

The topic that was current until recently about ascertaining the "actual unemployment" of those seeking jobs fits into the predominantly social and political viewpoint. It has been displaced by expression of the view that hiring young people is a "primary political task." A ban on the work of retired people, immediate excommunication of workers who have qualified for a pension after 35 or 40 years, restriction on overtime work and work on contract, reduction of the workweek, and introduction of fourth and fifth shifts (though it is no accident that even the first is not operating at full strength, while the second and third occur only from place to place), and emphasis on the obligation of OUR's [organization of associated labor] to hire trainees are being advocated with undiminished vehemence. The effort of youth and student cooperatives is also being subjected to belligerent views, presumably in order to have those same young people knocking as soon as possible on the "doors of associated labor." New ideas are naturally emerging along the same line of thought. The most recent one is that of cramming two trainees into the same job, but not in order to improve the opportunities of the work organization to choose the better one at the end of the trainee program, but with the equally valid motivation of leaving as few people as possible unemployed. So,

alongside the employed and the unemployed, there is now the transitional category of the semiemployed.

The elevated temperature, occasionally with a mild overtone of panic, is being maintained by calculations of the "rate of employment"--by simply taking the number of unemployed and dividing it by the number of persons employed in the socialized sector. That gives an unemployment rate of 12 or 14 percent, or even some 20 percent if we add to the unemployed the number of workers temporarily employed abroad. It would be more accurate, so long as we are comparing ourselves to the advanced countries with a market economy, to take into account the labor force, including private farmers and people who support their families through self-employment in other fields. Then we would get a rate of unemployment of 8 or 9 percent, which still is not low.

Table 1. Comparative Growth Rate (annual average; in thousands)

<u>Year</u>	<u>Persons Employed in Socialized Sector</u>	<u>Annual Rates, %</u>	<u>Seeking Employment</u>	<u>Annual Rates, %</u>
1970	3,765	3.9	319.6	-3.3
1971	3,944	4.8	291.3	-8.8
1972	4,115	4.3	315.3	8.2
1973	4,213	2.4	381.6	21.0
1974	4,423	5.0	448.6	17.6
1975	4,667	5.5	540.1	20.4
1976	4,883	4.6	635.3	17.6
1977	5,052	3.5	700.4	10.2
1978	5,280	4.5	734.8	4.9
1979	5,506	4.3	762.0	3.7
1980	5,681	3.2	785.5	3.0
1981	5,817	2.4	808.6	2.9

Table 2. Employed and Unemployed by Republics

<u>Republic/Province</u>	<u>1981 Average</u>		<u>Unemployed/ Employed, %</u>
	<u>Employed Persons</u>	<u>Seeking Employment</u>	
Bosnia-Hercegovina	848,800	142,912	16.8
Montenegro	132,200	24,202	18.3
Croatia	1,408,700	86,279	6.1
Macedonia	432,800	126,645	29.3
Slovenia	778,500	12,315	1.6
Serbia	2,216,100	416,270	18.8
Serbia proper	1,474,400	262,847	17.8
Kosovo	181,800	71,571	39.4
Vojvodina	559,900	81,852	14.6
Yugoslavia	5,817,100	808,623	13.9

Over the last decade the rate of unemployment has risen from about 3 to more than 8 percent (relative to the entire work force). Over that period the

creation of new jobs maintained a very fast pace, even faster than the growth of the able-bodied population (between the ages of 15 and 64). Whereas the able-bodied population increased by 1.67 million between 1971 and last year, employment in the socialized sector grew by 1.87 million. Yet the pressure for jobs increased at the same time (as can be seen from Table 1). The annual growth rates of persons seeking employment showed considerably greater fluctuations than the growth rates of employment. Nor dare we forget in this connection the impact of demographic factors. The pressure for jobs under the influence of demographic factors is also evident from the fact that the highest growth rates of the unemployed and also of the rise of employment were in the mid-seventies, when the most numerous postwar generations reached "working age." Aside from the demographic factor, the fierceness of the pressure was also influenced by many other factors--the return of our workers from temporary employment abroad because of the slump in Western Europe, the transfer of population from agriculture to nonfarm activities and migrations to urban centers (smaller and smaller of late), the rise of the standard of living (the desire to employ a second member of the family), the very attractiveness of the status of being employed as compared to self-employment, and the growth of the educated age groups coming of age to work.

Significant changes have occurred in the composition of the unemployed with respect to training. Two decades ago 18 percent of the people seeking jobs had some kind of diploma, from a school for skilled workers all the way to the university, in 1970 this group comprised 26 percent, the year before last it was about 43 percent, and last year it was more than 45 percent. Over just the last year there has been an increase of 30,000 in the number of young people qualified for specialized work and ending up in line at the employment security community. This increase from 340,000 to 370,000 was more pronounced than the increase in the total number of persons registered for employment, since those who do not have qualifications are first to be removed from the unemployment rolls.

The composition of the unemployed with respect to training is thus approaching the pattern of employed persons, among whom trained workers at various levels comprise about 65 percent. It is a fact that the continued increase in the proportion of young people with specialized training among those seeking employment shows the extent to which the educational system is not adapted. The figures on the demand for manpower show that organizations are seeking new workers, especially specialists in certain technical fields: mechanical, civil and electronics engineers, skilled construction and farm workers, metalworkers, hotel and restaurant personnel, fitters, plumbers and electricians, and foresters. The largest group among young people seeking employment consists of those who have graduated from the academic high school or specialized schools for trade, textiles, business or teaching. The question is whether the discrepancy between the demand for specialized labor and the supply can be reduced solely to shortcomings or the impossibility of planning personnel and education. It is a fact that the independent financing of educational institutions regardless of curriculum, the latter incidentally not established by the schools themselves, but predominantly by the educational institutions to which the schools are subordinate, is reinforcing the inertia in the pattern of education with respect to curriculum. At the same time, the attractiveness

of the security offered by employment in nonproduction organizations usually outweighs the challenge of a creative contribution to productive work, and young people and their parents are choosing accordingly when they select their future occupation.

The composition of the unemployed also reveals considerable unevenness in the regional distribution (Table 2). A considerably stronger pressure is arising precisely in the less developed republics and the Province of Kosovo. Certainly some influence is being exerted here by the economic structure that has come about through investments predominantly in capital-intensive industries and heavy industry precisely in those parts of the country where the hiring rate has been highest, which means that development of labor-intensive activities is an important condition for faster development.

It is certain, however, that even regardless of regional differences and disproportions in development, investment policy has had a considerable influence on the flows of extensive employment in the past. The growth rate of investments over a lengthy series of years was higher than the growth rate of production. Because investment programs were not carried out effectively, because cost estimates used as the basis for the computation of the profitability of future plants were exceeded, and also because of the discrepancy between development of raw materials capacities and manufacturing capacities, investment projects have not yielded adequate and anticipated benefits in terms of increasing the material basis for opening up real opportunities for new hiring. On the other hand, the creation of new jobs was usually the basic motivation for making the investment. Under the pressure of social needs in the immediate community new capacities with modern equipment have as a rule been burdened at the very outset with an excessively large work force out of proportion to the requirements of technology and profitability.

One can spot in the statistics a decline of efficiency in almost all sectors of the economy, which is in large part the consequence of extensive employment. The efficiency coefficient has dropped appreciably (by one-sixth) over the last two decades, which means that the new social product made possible by commitment of fixed capital is that much smaller. There is no doubt that the negative contribution of the human factor has been fairly influential here. The figures in an analysis of the Federal Bureau for Social Planning show that between 1964 and 1978 effective presence on the job dropped considerably more than the total number of work hours. Thus the share of effective hours of work in the total hours of work dropped from 86 to 80 percent. On the other hand the rate of full-day absences from work has increased in that 3 years ago one out of five employees was absent, while in 1964 only one out of every seven was absent. This increased absenteeism can be seen as only one symptom of the laxity, which comes from the very high protection of a job once it has been obtained. Which makes it that much more difficult for those who have not yet captured their place in associated labor to obtain a job.

The elaborate and prescriptive labor legislation favors job protection to a considerable degree, at the same time restricting the work organization's right to rid itself of a worker who is not zealous or competent enough. Viewed from the angle of young people seeking an opportunity to work, this

exaggerated protection makes it impossible for young and skilled specialists--insofar as they exist--from threatening the status of those already employed and from displacing those who are not sufficiently competent or motivated. The preoccupation with social welfare in politicizing hiring policy, primarily in order to protect the job already obtained, is now threatening on the other hand to create still greater social problems, not to mention the economic problems which are manifested in the fact that a sizable labor potential cannot be put to use. One can hardly expect at this point that the accumulated problems can be resolved with the same means which were their principal cause.

The long duration of the possibility of extensive employment on the basis of inflationary pouring in of credit to replace the income and accumulation not realized, when saving is the only way to create a real basis for development and for new jobs, has resulted in undesirable flows of hiring in certain activities which are unfavorable to development. Table 3 shows that over a lengthy period hiring has been oriented more toward noneconomic activities than toward production which could pull development forward, but which also involves considerably more risk, uncertainty and effort. The tendency toward greater hiring of specialists in noneconomic activities has become especially evident in this connection. Between 1967 and 1978 (the most recent figures available) the number of persons employed in the sector of industry and mining rose about 51 percent, and the number of specialists with senior postsecondary training was 54 percent of that figure. Over the same period the number of persons employed in the activities of sociopolitical communities and organizations increased 55 percent, and the number of highly trained workers doubled. The figures indicate the relative attractiveness of these two altogether different types of activity.

Table 3. Employment in the Economy and Outside the Economy

<u>Activities</u>	<u>1970/1960</u>	<u>1980/1970</u>
Economic activities	129	150
Industry and mining	136	150
Noneconomic activities	130	153
Sociopolitical communities and sociopolitical organizations	83	163

Perhaps one can find in the direction of those flows at least some of the causes for the evident slacking off of the growth rate of productivity in industry. The productivity of the administration cannot be measured, but it is certain that administrative "output" can create quite a bit of work for production organizations as well. A reversal with respect to attractiveness would signify a reversal of flows of hiring in the direction of production activities, which are the only ones that can create a real material basis for creating new jobs. But that is another topic.

7045

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WORKERS FROM BOSNIA-HERCEGOVINA IN CROATIA, SLOVENIA

Sarajevo OPREDJELJENJA in Serbo-Croatian No 3, Mar 82 pp 161-174

[Article by Ciro Rakic: "Workers From Bosanska Krajina in SR Slovenia and SR Croatia: Certain Aspects of Relations in Worker Placement"]

[Excerpts] Introductory Considerations

The economic terms in which relations among the republics and nationalities are usually mentioned are those of amounts of money, credit and foreign exchange, the volume of investments, commerce, banking, and so on, and assessments are made as to how the various republics, provinces, nationalities or regions are getting along or "profiting." The aspect of live labor, of living people, of manpower is tacked along somewhere on the periphery of this question.

However, the relations and flows of goods and money, which are things, cannot leave such deep traces in relations among the nationalities as can be impressed by the massive confrontation of living people as individuals, personalities, groups, as representatives of religions, traditions, axiological ethical beliefs and cultures. Nor is it necessary to go on assembling arguments for a conclusion to be drawn on the extent to which the large-scale migrations of workers and their families from the underdeveloped to the more developed regions assume in time both favorable and unfavorable aspects for both the host people and the immigrant people. Under these circumstances the aspect of economic existence may even be overshadowed by social-psychological ballast, by the prejudices of members of religious, ethnic and cultural groups which are confronting one another and have a mixed population. It should be emphasized once again how vital the migration of manpower is as an aspect of Yugoslav socialist community consensus and that this is above all a complicated set of economic factors, but also of numerous other accompanying factors and of exceedingly essential and subtle relations in ethnic currents of the host communities and in the formation of a new ethnic-religious-cultural mosaic in the bosom of those communities.

The topic of the meeting of scholars entitled "Socioeconomic Aspects of Inter-ethnic Relations in Yugoslavia" is a challenge to discuss the movements of manpower from the underdeveloped to the more developed areas and also the real problems of life at the grass roots in economic cooperation among the

republics and provinces and in the ties among our nationalities and ethnic minorities.

Within the framework of global commitments before, and especially after, the 21st meeting and the two congresses of LCY since that time, there has been an evident need for far more committed research into and elucidation of the dimensions and implications of the notably large-scale migration of workers from Bosnia-Herzegovina into SR [Socialist Republic] Slovenia, SR Croatia and SAP [Socialist Autonomous Province] Vojvodina.

It is the purpose of this paper to indicate within the long years of cooperation in worker placement among the republics, the regions and local communities in the triangle Bosnia-Herzegovina--Slovenia--Croatia its progressive experience which should be emphasized, further developed, and given institutional and normative sanction in the coming period.

Job Placement Over Republic and Provincial Boundaries

Aside from the legal framework regulating worker placement and the role of RO's [work organization], SIZ's [self-managing community of interest] and DPZ's [sociopolitical community] in seeing to the employment security of workers set forth in the constitution and federal laws embodying the system, there was also the signing of the Self-Management Accord on Basic Principles, Conditions and Procedure for Worker Placement Across Republic and Provincial Borders (Split, 3 April 1975). Several notable Yugoslav conferences (in Pristina in May 1979), meetings of republic assemblies and the SFRY Assembly, and discussions in the highest bodies of the SAWPY and Federation of Yugoslav Trade Unions have occurred concerning the enforcement and 4 years of experience in implementing the letter and spirit of that accord. Toward the end of 1981 the Assembly of the Federation of Yugoslav Employment Security Communities devoted a specific discussion to a critical analysis of experience in placement over republic and provincial boundaries in employment security policy. The procedure was also completed for proposing a new Self-Management Accord on Worker Placement Over Republic and Provincial Boundaries, whose adoption is being accompanied at the same time by enactment of a uniform instruction for implementing it so as to improve the formal legal procedure and placement standards and technology for all the communities and entities pertaining to placement within Yugoslavia.

From the basic SIZ for employment security in opstinas to the Federation of Yugoslav Employment Security Communities an integral institutional, personnel-organizational and normative-legal network and structure has been built up within the Yugoslav system of self-management for monitoring placement and hiring.

Experience in recent years has shown that hiring across republic borders has truly yielded constructive results. First of all, the organization of that hiring was augmented, especially in the construction industry of Slovenia and Croatia, and to some extent even in the largest construction organizations in SR Serbia--that is, those in Belgrade and Novi Sad. The same constructive trends have also been noted in tourist hostelry on the Slovenian coast, Istria and northern Dalmatia.

There have also been constructive developments in the area of financial incentives, better accommodations and food, as well as larger coverage of workers by certain forms of preparation and specialized training and also ever more notable and better organized inclusion of young people from SR Bosnia-Herzegovina in fulltime school attendance to meet the needs of associated labor in the other republics and provinces.

All this does not mean that there do not exist important problems and unresolved issues that will require still more deliberate, vigorous and responsible commitment along all lines of responsibility and on the part of all those responsible: introduction of planning, alignment of job vacancies and skills, meeting the provisions of the Self-Management Accord on the Principles, Conditions and Procedure for Worker Placement Across Republic and Provincial Boundaries on the part of all its participants, elimination of hiring that is not organized and does not go through the SIJZ, and so on.

Volume and Flows of Worker Placement Over Republic and Provincial Boundaries

A labor-intensive manufacturing industry has been developed in the highly developed regions with a manpower shortage, while the capital-intensive fuel and power industry and raw materials industry have been developed in the underdeveloped areas with an abundance of idle manpower. This has aggravated the disproportion to the point we have reached today: on the one hand a state of acute shortage of manpower, and on the other a growth of unemployment, with no prospects for a solution to be found in the foreseeable future. Migration of the unemployed such as we have today only mitigates the problem, but does not solve it. What is more, in certain of its aspects it also brings new and more complicated consequences which are not solely confined to the economic domain. The unemployment pool has been building since 1965, and the hiring abroad offered only temporary relief of the pressure on the unemployment rolls. Along with the production of contradictions we have mentioned over 30 years of industrialization as reforms were carried out toward intensification of economic activity, and along with all the measures required by stabilization strategy, and finally the inflow of returnees from temporary employment abroad--this burning problem of Yugoslavia and of the underdeveloped regions in particular has been getting increasingly acute. In just the last 5 years the rate of unemployment in Yugoslavia has risen from 10 percent to 11.9 percent.¹

Bosnia-Herzegovina has an above-average rate of unemployment--14.1 percent. In absolute terms (1980) that represents 140,443 persons. In the markedly underdeveloped opstinas there are 10,574 unemployed, in the underdeveloped opstinas 46,087, and in the other opstinas 94,356.

The unemployed in SR Croatia represent 5.2 percent, which is regarded as approximately the rate that can be tolerated, especially if there are prospects for its not rising further.

SR Slovenia has the lowest rate of unemployment in Yugoslavia, and it is among the countries with full employment. Its unemployment rate of 1.3 percent can be regarded as an achievement which can only be wished for in today's world.

Using the data of the Slovenian Republic Council of the Federation of Trade Unions published in connection with a survey of Slovenian public opinion entitled "Workers From Other Republics in the Slovenian Economy," I will record several relevant pieces of information.

At this point the economy of SR Slovenia employs about 150,000 workers from the other republics and provinces. To this number we should also add about 70,000 members of their families who are living with them in Slovenia. This means that almost one-fifth of the work force of that republic is made up of workers from outside. In just the period 1975-1978 about 50,000 new workers found employment in SR Slovenia, most of them coming from SR Bosnia-Herzegovina, and then from SR Croatia and SR Serbia.²

Whereas the birth rate in this republic is on the margin of reproduction, there are 48,000 people, most of them skilled and highly skilled, who have left its associated labor to take temporary employment abroad. Slovenia is one of the most marked regions in Europe for its migration. The unemployment rolls in Slovenia have 12,000 young men and women who have attended various schools of administration and similar schools. At the same time the economy needs 10,000 production workers, certainly skilled ones, for which the demand is growing all the time.

In Ljubljana alone there are about 30,000 workers living and working from other regions of Yugoslavia. There are 7,000 of them at the Jesenice Steel Mill and about 5,000 in Slovenija-cesta and Tehnika. More than half of the work force in Slovenia's construction industry is not from this republic. Half or more than half of all the workers are "southerners" from SR Bosnia-Herzegovina. It is estimated that about 60 percent of them have not reported a change of permanent address, which has been assessed in various ways as to their staying, their wavering, their integration into the Slovenian social and cultural environment, and so on. Along with all this, on the basis of official statistics, Slovenia has an unfavorable composition of the work force with respect to skills.

No less than 63 percent of those from other republics employed in SR Slovenia (11,200 in 1976, 12,800 in 1977 and 14,900 workers in 1978) obtained their jobs through acquaintances and friends, relatives and close members of the family, while only 37 percent of these workers obtained their jobs through SIJZ for employment security. Today, it is true, the situation is considerably more favorable.³

A still higher number of employees [from other republics] are working in the associated labor of SR Croatia in various branches of industry, tourist hospitality, but in the largest numbers in the construction industry, mining and municipal services and utilities. From Bosnia-Herzegovina alone there were more than 70,000 workers in the Croatian economy in 1980.⁴ Incidentally, in the period 1976-1980 about 60,000 workers left Bosnia-Herzegovina to work in other republics, only half of them on an organized basis (29,208), which means that in the average year organized placement through SIJZ represented about 6,000 new workers.⁵

Viewed from the standpoint of SR Bosnia-Hercegovina, relative to the previous period (1970-1975) there was an appreciable drop in the number of workers employed from this republic and other republics and provinces.⁶

Unemployment is rising, especially in the underdeveloped republics and provinces. That is what is giving growing importance to hiring in the advanced republics and provinces which have a shortage of certain occupations and skill groups. The Federal Bureau for Employment Affairs estimates that about 80 percent of the workers in other republics and provinces are from Bosnia-Hercegovina. The share of the unskilled and semiskilled among them is 90 percent.⁷

It can be stated on the basis of records over several years that workers from certain regions (Bosanska Krajina, Doboj, Tuzla and Hercegovina) have been oriented for 1.5 decades now toward finding employment in certain activities and regions of the other republics and provinces. For example, from Bosanska Krajina they are predominantly in the construction industry of Slovenia and Croatia and to some extent in tourist hostelry along the Croatian and Slovenian coasts.

Incidentally, just as research has not gone into the problems of developing, preparing and channeling personnel in worker placement across republic and provincial boundaries, so the need for and assignment of these workers are not planned appropriately and punctually.

It is not difficult to see in the employment policy within regions which are sources of "surpluses" of personnel and in the mode of communication between the basic SIZ and the regional SIZ in Bosnia-Hercegovina on the one hand and in SR Croatia and Slovenia on the other that planning is at best on a seasonal or 1-year basis. There are rare exceptions when contracts are concluded covering periods of at least 2 or 3 years. We encounter samples of such foresightedness in only some 10 work organizations in both republics when it is a question of enrolling entire classes of young people for specialized training to meet the needs of tomorrow through the system of targeted education within the opstinas where they live and through interopstina DPZ and SIZ.

The Enrollment of Young People for Education and Employment

Only educated and specialized workers can be of common interest to the advanced and underdeveloped parts of the republic and Yugoslavia. Whether the migrating workers decide to establish permanent and lifelong ties with associated labor of Slovenia and Croatia or commit themselves to temporary employment outside their native region, they have to be in demand: they have to be educated even as "returnees." Their specialized training is also a condition of their mobility.

As part of the cooperation of SIZ for employment security in SR Bosnia-Hercegovina with organizations of associated labor from SR Slovenia and Croatia in preparing workers for hiring, back 10 years ago arrangements were made for young people from Bosnia-Hercegovina to go to specialized educational centers, secondary schools for targeted education, on the basis of contracts concluded in advance for them to be hired in interested organizations of associated labor.¹²

Self-managing communities of interest organized the departure of the young people mainly because of the underdeveloped network of secondary schools and the limited opportunities for them to find employment in the less developed opstinas, but at the same time also because of the favorable conditions offered by the organizations of associated labor from those two republics for the trained workers they lacked.

The students or their parents and guardians concluded a contract with those organizations of associated labor concerning free schooling in the educational centers (housing, food, work clothes and pocket money) and also concerning hiring at the end of their education. Until 3 years ago there were no organized records kept on how many young people had so far been sent in this way from Bosnia-Hercegovina to SR Slovenia and SR Croatia.

This method of establishing organized cooperation in relations among the republics, which experience has effectively affirmed and which has done most to satisfy both sides, deserves further encouragement and development. According to one report of the Federation of Self-Managing Communities of Interest for Employment Security of Bosnia-Hercegovina, in the period 1979-1980 1,302 students were sent according to the figures of employment security communities, which are not complete: 564 to the construction industry, 491 to the mining industry, 158 to hostelry, 51 to metallurgy, and 38 to other occupations.¹³

According to a statement made by a representative of the Slovenian Federation of SIZ for Employment Security, there are considerably more students from Bosnia-Hercegovina in SR Slovenia, since aside from the employment security communities, students are continuing to go to other republics for education, usually where they have fathers, brothers and relatives already employed. In Litostroj alone there are nearly 500 apprentices who are not covered by records in the employment security communities of Bosnia-Hercegovina.

Although this is a practice that is very well established and is one of the guideposts for further orientation of relations among the republics within the framework of economic ties and dependence among our three republics, according to an assessment of the Bosnia-Hercegovina Federation of Employment Security Communities, the regional and basic employment security communities are less and less involved in the organized enrollment of young people to go to other republics and provinces for schooling and employment, justifying this kind of behavior with the assessment that this is not the task of those SIZ's, but is more and more the domain of the system for personnel training and education, that is, of SIZ's for targeted education and the agencies of opstina DPZ's and basic economic chambers.

Practice varies, as does motivation, of work organizations and employment security communities. Numerous organizations of associated labor in SR Slovenia, aside from the cost of specialized training of young workers for employment, also invest labor and funds in the specialized advanced training and promotion of workers in their occupations. The example of the Ljubljana Railroad work organization is very affirmative in this regard. Aside from the advanced specialized training for the occupations of switchmen, brakemen, switchyard workers and other workers, after 1 year of experience, the RO sends them

to a special school in Maribor for several levels of education, which they leave as locomotive engineers, dispatchers, stationmasters, traffic inspectors, etc. Several dozen workers from SR Bosnia-Hercegovina have already graduated from that school.

The time has come for organizations in the fields of hostelry, construction, agriculture, municipal services and also industry and mining to commit themselves more to improving the professional competence of their workers by using the regular system of targeted education, their own specialized centers and their own highly trained personnel.

In the associated labor of SR Slovenia¹⁴ a certain number of RO in SR Croatia, in Belgrade and in Novi Sad, in order to furnish themselves trained workers with various skills who would remain with the organization permanently, have recently been organizing fulltime education of children from SR Bosnia-Hercegovina after graduation from the 8-year elementary school, especially for those occupations of which there is a shortage in mining, construction and certain other fields. The students, who are put in classes from the respective opstinas of Bosnia-Hercegovina, are encouraged in various ways to study certain occupations (favorable scholarships, credits, favorable conditions for housing on a boarding school basis, monthly pocket money). Outside SR Bosnia-Hercegovina there were several hundred such students in just the 1980/81 academic year alone. Yet Croatian tourism and hostelry have not shown any widespread involvement in this commendable practice, though this would be of great interest from the standpoint of hiring women on a permanent basis.

The hiring arrangement that is the most desirable for the underdeveloped regions is that arrangement which offers a pooling of labor and capital and thus develops industry and other economic facilities in the opstina or native basin. Certain statements have been made in the press about how SR Slovenia has in its 30 opstinas at least as many projects prepared concerning joint ventures with associated labor from the underdeveloped republics. The development programs of Bosnia-Hercegovina for the 1981-85 5-year period announced the participation of SR Slovenia with 53 programs, Croatia with 45, Serbia with 49 and Macedonia with 5 programs for pooling labor and capital. However, those projects are said to say little about planning the flow of manpower, though this is extremely relevant to negotiations concerning those undertakings. Facilities which can mitigate the unrestrainable pressure of unemployed female manpower, for example, are of extremely great interest to Bosnia-Hercegovina, for example.

Several Questions to Which the Right Answers Have To Be Made

In conversations, criticism, and polls, during work stoppages in certain construction and industrial work organizations in Slovenia and Croatia, and in the statements made by individual workers who unilaterally broke off agreements they had signed for placement through SIZ's, ideas and initiatives have been advanced or advocated concerning a practice similar to that which our country develops concerning workers temporarily employed outside the homeland. There are questions like these:

1. Should workers from Bosnia-Hercegovina employed in SR Slovenia do the following:

i. establish their own clubs in the cities and industrial centers of Slovenia where there is a sizable concentration of workers from Bosnia-Hercegovina?

ii. support, consciously or unconsciously, the practice that exists whereby workers and their families are concentrated in separate settlements and developments?

iii. establish their own institutionally separate athletic and cultural and artistic groups, societies, etc.?

2. There is a specific need to evaluate in the spirit of our policy of ethnic equality, affirmation of the nationalities and Yugoslav socialist community consensus how these leading principles are to be applied in the context of Bosnia-Hercegovina or Slovenia in view of the evaluation of future trends in migration, the industrialization and homogenization of the Yugoslav economy and working class, and the strengthening of Yugoslav socialist patriotism and community consensus.

In this context superficial answers should not be given to the question of whether there should be insistence on separate schools giving instruction in the native tongue for workers from Bosnia-Hercegovina and their children, especially if the parents have not made serious demands in that regard or if a sizable number of workers intend to integrate and acquire the new culture rapidly, deciding to take permanent employment and to bind their future and the future of their children to associated labor and public life on the soil of SR Slovenia? In other words: Does there exist or should there be created a problem of "Slovenianization of Bosnians" or of "Bosnianization of Slovenes"?

When all the many studies of the problems of immigration (or emigration) on a "north-south" basis all over the world indicate that the host population stands aloof from the immigrants for a very long time, that the mutual existence of prejudices in their mutual cultural contacts is of a lasting nature, and that the social ties, communications, friendships and associations are slow to show themselves and have difficulty developing, why not take this truth as the point of departure and rid ourselves of illusions of solving the problems of interethnic convergence and interpenetration overnight?

Convergence solely on the factory grounds, in public places, through occasional personal visits, is far from the true integration of a Bosnian and Slovene in Celje, Skofja Loka, Ljubljana, Kranj or Novo Mesto. Only continued, more lengthy, deeper and broader involvement of the workers who have come from Bosnia-Hercegovina in the self-management decisionmaking in the RO, in the local community, in the SIZ and in the opstina delegate system, only equal treatment in education and status promotion, in the distribution of income and pay increases, in the assumption of roles and responsibility in institutions, in actions, in the formulation of goals, and so on--that is the atmosphere and the social climate that promise more rapid economic, sociopolitical, cultural and recreational naturalization and integration as an integral part of the

Slovenian social and cultural community. There is much truth in the saying "The Slovene will accept the Bosnian just as much as the Bosnian will accept the Slovene." Science has answered numerous questions of the so-called ethnic, religious and national distance in various circumstances of common life and situations in the migrational movements of our time. It remains for science to be employed to a greater extent in this domain as well and to contribute so that associated labor and science find more optimum and promising answers to the questions that have been raised and that have come out of the extensive domestic Yugoslav migration over many years. Especially since the recent results of the public opinion survey of Slovenia, when compared to opinion of a few years ago, indicate that views are changing toward ever greater concern on the part of Slovenes about employment opportunities, about certain manifestations of anomy within immigrant groupings, and there is also a fair amount of emphasis on the sentiment of a threat to traditionally sensitive areas of national identity--language, customs and culture. Some of the questions, then, remain open. There is a need for both thought and preventive action so that the problems which have piled up aren't one day used to beat the immigrants, or, still more concretely, their most exposed contingent--the workers from other republics.¹⁹

FOOTNOTES

1. From a discussion in the Serbian Academy of Sciences in Belgrade, POLITIKA, 31 January 1982.
2. SVIJET, published in Sarajevo: "Newcomers: Slovenian Style: Comment on a Study Entitled 'Workers From Other Republics in the Slovenian Economy,'" January 1982, pp 6-8.
3. From a report of the Bosnia-Hercegovina Republic Federation of SIZ for Employment Security, 1979.
4. From a report of the Bosnia-Hercegovina Republic Committee for Labor and Employment Security and the Bosnia-Hercegovina Republic Federation of SIZ for Employment Security entitled "On Certain Issues and Problems in Placement of Workers From SR Bosnia-Hercegovina," Sarajevo, February 1981, p 3.
5. Ibid., pp 3-4.
6. Ibid., p 4.
7. Ibid., p 5.
12. Ibid. Most of the students were sent to Ljubljana. Of the 495 contracts concluded, the largest groups went to Gradis (181), Obnova (111), Mevkat (54), and so on. Students were sent to Velenje (297), Mezice (68), Trbovlje (67) and Zagorje ob Savi (44) for the mining occupations. Students were enrolled in school centers for vocational education for the building trades under very favorable conditions in Celje, Kranj, Novo

Mesto and Kocevlje (105 students). Another 104 students were sent for training and employment to the hostelry RO "Zlatni rat" on Brac and to the RO "Jadran" at Bol, which is on Brac. Similar measures have also been practiced by the construction work organization Tehnika of Zagreb.

13. From the records of the Bihac SIZ: the complex organizations of associated labor "Slovenija-cesta" and "Tehnika" of Ljubljana are educating students from Bosanska Krupa Opstina in 3-year and 4-year programs of targeted education for production occupations, providing them scholarships, credit, dormitory housing, and guaranteeing them that on graduation from the school they will have jobs for twice the length of their schooling. In Velenje a young man qualifies for an apartment as soon as he marries.
14. Ibid.
19. S. Meznaric, "Workers From Other Republics in the Slovenian Economy," pp 20-21.

7045

CSO: 2800/384

YUGOSLAVIA

PERCENTAGE OF POPULATION, WORKERS, SOCIAL PRODUCT, INVESTMENTS

Belgrade BORBA in Serbo-Croatian 30 Apr, 1, 2 May 82 p 6

[Excerpt]

Work and Results

	<u>Population</u>	<u>Workers</u>	<u>Social Product</u>	<u>Investments</u>
SFRY	100	100	100	100
Bosnia-Hercegovina	18.9	14.4	12.5	15.6
Macedonia	8.4	7.4	5.5	6.3
Slovenia	8.2	13.7	16.1	14.1
Serbia	41.1	37.9	37.3	36.0
Serbia, without the provinces	24.9	25.2	24.0	21.5
Vojvodina	9.0	9.6	11.1	10.0
Kosovo	7.2	3.1	2.2	4.6
Croatia	20.7	24.4	26.5	24.0
Montenegro	27.0	2.2	2.1	4.0

CSO: 2800/392

CROATIAN FOREIGN EXCHANGE PROBLEM SURVEYED

Zagreb DANAS in Serbo-Croatian 6 Apr 82 pp 5-7

[Article by Ivo Jakovljevic: "Where To Find the Surplus of Foreign Exchange?"]

[Text] Can SR [Socialist Republic] Croatia over the next 100 days swim over the high wave of debts which have come due and--as it is conceived--earn a net "surplus" of \$834 million in international trade in 1982?

We have made the calculation: The gap between the difficult economic situation (which, they say, should not be called a crisis) and that rosy situation with general prosperity in Yugoslavia, today amounts to exactly \$5 billion. That gap is a "heavy" \$1 billion only in SR Croatia, which at the moment is even in a somewhat more serious financial situation. Of course, those billions in this imaginary computation do not exist in our banks and--so we have been told by a business executive--that is how it is.

This year the Yugoslav economy will have to pay to foreign banks one-fifth of the expected inflow of foreign exchange: \$2.5 billion on payments of principal on long-term and medium-term loans and \$2.1 billion in interest. The banks in SR Croatia alone will have to pay \$500 million of those loans and approximately the same amount of short-term credits. By the way, imports of petroleum alone will cost about \$3 billion. Meeting those obligations, of course, means an abundant inflow of foreign exchange into the country either from exports of goods or services. And it is that gush of foreign exchange, so anxiously awaited, that has turned into a stingy faucet in the first 90 days of this year, furnishing only an occasional drip.

A Bad Beginning

According to the most recent figures, from the beginning of January to the end of March Yugoslav exports to the so-called convertible area rose only 4 percent instead of the planned 11 percent. Because of the shortage of this "hot" foreign exchange, imports were reduced an additional 12 percent (after previous drastic reductions). The available foreign exchange thus went primarily for punctual repayment of foreign loans. In that context even the \$400 million reduction of the country's trade deficit is a hollow success.

Thus, while the Yugoslav economy as a whole exported \$500 million of goods less than was planned in these first 90 days, the economy of SR Croatia alone is "to fault" for one-fifth of that shortfall. Instead of earning the expected \$290 million with exported goods, economic organizations in Croatia earned only \$150 million. And that difference was actually the last drop that made the cup of our illiquidity flow over, especially in Croatia. This turn of events, it seems, has confused only the delegates in the assembly and the Croatian Parliament, who in just 60 days have been served up by the Federal Executive Council and the republic executive council two altogether assessments of the economic and financial situation in the country and republic, respectively.

Perhaps in that bush of protean information on the economic situation or, more accurately, in the postponement of that report on the real financial and foreign exchange results and obligations (so as not to disturb the public, they say) lies one of the reasons why the delegates in the Croatian Parliament some 10 days ago supported almost in silence the preparations of a sizable package of short-term measures to "consolidate relations with foreign countries" which the republic executive council has these past days still been polishing and dressing under the leadership of the dynamic Petar Flekovic.

The opening question at this hour is how in view of the shortage of foreign exchange to import industrial supplies is a drop in production to be avoided, especially in Croatia, where there has been a slide for several months, but only appeared in the statistical survey of the economic situation for the first time in February? Thus in February and March industrial output in the republic was down two points from the same time last year. The shortage of foreign exchange to import industrial supplies is thus now coming back like a boomerang and through the drop in production affecting exports, for whose growth there are fewer and fewer goods! And what now?

The Appearance of the Balance of Payments

In the untying of the foreign exchange knot in the country as a whole the greatest confusion at the moment is with the methodology, which was disputed even earlier, for establishing the country's payments balance and exchange balance and the individual republic and provincial positions within that document. That payments balance and exchange balance has become a hot potato simply because they serve as the guide for exchange controls and the general regulation of imports. And they are in dispute precisely because they come out even in the final figures: Both according to the payments balance and the exchange balance, for example, Yugoslavia dare not this year have a deficit greater than \$500 million, and SR Croatia is supposed to have a surplus of \$834 million. Now, to go back a bit, the payments balance is a survey of all sales and purchases of our goods and services on the world market, and the exchange balance is a survey of payments come due for our accounts receivable and payable involved in that trade. Of course, the difference between the payments balance and the exchange balance is created by sales and purchases on credit, which is a particular feature of the economy in Croatia, which is selling ships, production equipment, transportation equipment, and so on.

Certainly the payments balance and the exchange balance do equal out over a lengthy period of time, say, 7-8 years. But within just 1 year, and that a year in which a larger inflow of foreign exchange from exports is being sought, specifically from the sale of our ships, production equipment and other capital goods abroad, the exchange balance--and not the payments balance--and the exchange-balance positions of the republics and provinces become the alpha and omega of exchange regulation in the country, especially since the foreign exchange market hardly exists.

Thus Yugoslavia ended last year with a great success, having reduced its payments deficit in foreign trade to only \$750 million, \$1.4 billion with the convertible area. That net result is indicated in the country's balance of payments. At the same time the Croatian economy, for example, showed a surplus of \$270 million in trade with the convertible area in the republic payments-balance position. However, in the country's exchange balance that negative difference between foreign exchange income and foreign exchange expenditures was \$2.3 billion last year, or, more accurately, \$900 million more than was shown by the payments balance for trade with the convertible area. At the same time, a shortage of almost \$500 million was shown in the exchange position of SR Croatia.

In this case, then, the balance of payments was like a makeup job on the entire country, and especially on Croatia, since the exchange balance is actually the only reality. Incidentally, foreign loans are also repaid solely from foreign exchange which is in pocket, and not from that which is "printed" by the statistical service.

And in this tangle of hidden causes and debatable consequences lies one of the main reasons why the agreement among the republics and provinces was not achieved again this year on the country's payments balance and exchange balance and on the import-export rights and obligations that follow from that agreement. The temporary measures of the Federal Executive Council still remain in effect; they honor a kind of compromise solution, which is not suitable to a single republic or province.

Why the Debate About Petroleum

That is why people in the Croatian Executive Council say that at this moment "a joint program needs to be established for resolving the most urgent problems of Yugoslavia's balance of payments and exchange balance." Certainly any delay of this solution "would make it possible to achieve the main goal in economic activity--larger exports" this year. Incidentally, aside from exporting goods on credit, SR Croatia's exchange position is additionally diminished by the unresolved issue of the inflow of foreign exchange earned in transport services which are billed in dinars, as well as the debatable dinars in tourism which originate from foreign exchange. For all these reasons people in Croatia are calculating that in this year, when a surplus of about \$834 million is expected in the republic's payments position, it will have a deficit of \$800 million in its exchange position (the best version) or even \$1.2 billion (the most unfavorable version).

SR Croatia's Payments Position and Exchange Position in Trade With the Convertible Area in 1981

Millions of dinars (\$1 = 27.30 dinars)

<u>Designation</u>	<u>Payments-Balance Position Achieved</u>	<u>Exchange-Balance Position Achieved</u>
1. Visible exports	39,962	41,061
2. Exports of services	51,428	36,394
3. Income of individuals	55,337	55,337
4. Interest	<u>493</u>	<u>493</u>
Total	147,220	133,285
1. Visible imports	81,789	95,052
2. Imports of services	15,493	9,100
3. Expenditures of individuals	29,741	29,741
4. Interest	<u>12,801</u>	<u>12,801</u>
Total	139,824	146,694
Net result, in dinars	7,396	-13,409
Net result, in dollars	271	-491

In this context petroleum, which recently has been available in fits and starts, is another story. Up to the end of 1980 imports of petroleum were charged to the payments positions of the republics and provinces where the refineries are located, and they found the foreign exchange they needed to purchase the black gold on the foreign exchange market in Belgrade. When that ceased to function, the financial obligations to import petroleum were transferred to the republics and provinces in proportion to their share in the total consumption of petroleum in Yugoslavia. This method of distributing the financial obligations for importation of petroleum was in effect during 1981 and was carried over to this year, though even last year it came to be known as a bad move.

Because the other republics were in arrears in furnishing foreign exchange last year, Croatia was one of the republics that used even expensive short-term lines of credit to import petroleum in order to discharge its obligation to supply the Yugoslav market with derivatives, and to a large extent those credits have come due for repayment in the first months of this year. At a time when economic organizations exported \$150 million of goods from Croatia, then, almost fourfold as much foreign exchange--about \$575 million, had to go from banks in the republic just to pay off foreign loans in the first 90 days of this year. Given those circumstances, little was left, of course, for any ambitious importation of industrial supplies, for which banks in the republic already hold foreign exchange payment orders in the amount of about \$150 million. Those orders are waiting for a new gush of foreign exchange.

For all these reasons proposals have been traveling from one desk to another in the Croatian Parliament that would give domestic petroleum the same treatment as coal, gas and electricity. That would mean that the republics which have their own petroleum would use it first to meet their own needs and would then commit possible surpluses to meet the demand in other republics and provinces or for exports. According to certain computations, if domestic petroleum were given this treatment, the economy in Croatia would meet its own needs for petroleum and derivatives with imports amounting to \$260 million instead of the \$528 million called for in the temporary order of the Federal Executive Council. In that case the refineries in the republic would operate at 50-percent capacity, and in order to reduce production costs they would have to be concerned about doing more refining of imported petroleum for foreign customers.

Along with that idea, demands are also circulating for realistic projections of the country's balance of payments and exchange balance and of the positions of every republic and province, and also demands for reassessment of the policy governing assumption of indebtedness abroad in which in future every type of credit could be taken only by those who will repay it either from their own inflow of foreign exchange or from pooled foreign exchange, no matter which. Consideration is also being given to possibilities for joint resolution of the illiquidity of individual banks at the level of the entire country, above all through interbank loans, since at no point can the financial reputation of the Yugoslav economy be allowed to get in jeopardy. Among other reasons, for the sake of--future credits.

Investments and Firefighters

But certainly the greatest troubles in coming months will be with investments, especially those largest ones. That is, it is a fact that most of these largest investment projects in Yugoslavia as a whole have been undertaken in Croatia and that those investment projects also represent the main debtors under foreign loans. The time has come for repayment, but those investment projects are still "under way." This applies equally to DINA [expansion unknown], TUG (manufactured fertilizer plant) in Kutina, the still not altogether finished nuclear plant at Krsko (built jointly by Croatia and Slovenia), but also to other unfinished investment projects which, like Jadral, for example, are not yielding the expected results. This is obviously the principal reason for the present critical economic situation. In evaluating each of these investment projects it would be difficult to dispute the need for any one of them, with inglorious exceptions. But the effort is being made to build them all at once, and that to a considerable extent by virtue of foreign loans; this truly was an illusion on the part of many people, whose political responsibility can now barely be recognized in the dense fog.

But many of those some 20,000 investment projects in Yugoslavia will come to a halt in coming months, simply because there will not be the funds in the banks for all of them this year. In SR Croatia, however, it is expected that the Obrovac and Cakovec hydroplants will be completed this year, that the Molve II oil field will be opened, that regular production will begin in the second phase of the manufactured fertilizer plant in Kutina, in the first phase at

DINA on Krk, and certain others. It is especially important that the Kutina fertilizer plant start production as soon as possible, since the first payments on foreign loans for that project come due in a year.

The package of emergency measures (referred to as "firefighters") we have mentioned and which the Croatian Parliament supported as a part of stabilization policy this year, naturally contains some new incentives for augmenting exports. It is thus expected that legislation will soon exempt exporters from payment of contributions and tax on income earned through exports. There also will be incentives for foreign exchange savings and then for the purchase of foreign exchange for the credit financing of housing construction and the sale of imported goods in bonded warehouses. Specific measures pertain to increasing the inflow of foreign exchange from tourism this year.

Many of these measures which have been circulating these past few days have been proposed in the economy for at least 2 or 3 years now. Now that the going has gotten rough, it seems that the last moment has come for their application if the exporter is to live at least as well as the importer or the one who sells exclusively on the domestic market.

Yet how nice it would be if the economic situation in the entire country, therefore in Croatia, could be improved with a single package of economic policy measures or by transferring foreign exchange from one bank to another. How nice it would be if all the disputes about the balance of payments and the exchange balance and also petroleum could be resolved with "real projections." It is a fact, however, that the entire foreign exchange system is being implemented with the cart before the horse and therefore can hardly function.

After it took effect in 1978, the foreign exchange law was respected only in the establishment of the payments and exchange positions of the republics and provinces, while in everyday economic life a sizable step backward was taken. Precisely because there are no associations in the economy organized around so-called joint revenues and income and in the case of exports--for example, in the production of ships for export--the foreign exchange pie is divided up in the most primitive way--in advance, before anything has been exported. Since there are rarely agreements between suppliers and the ultimate exporters of some commodity concerning distribution of the foreign exchange earned, everything is collected, together with all the unjustified production costs, through what is referred to as foreign exchange participation in domestic trade. Where an agreement does not exist, the judgment is made by the government, whether it is the Federal Executive Council or the administration in the republics and provinces. The thing goes round and round with almost overwhelming consequences.

But along with the firefighting activities of the executive councils, preparations are also under way throughout the country to change the country's social plan for development up to 1985. In particular many good initiatives in this effort are expected from the Federal Commission for Stabilization, which is completing a long-term program for emerging from the economic difficulties in which Yugoslavia has become entangled in recent years.

On several occasions these past several days we have heard one and the same sentence: "Everything will be clear before the 12th LCY Congress."

7045

CSO: 2800/371

PRINTING OF MONEY RESTRICTED TO PRIORITY NEEDS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Mar 82 p 8

[Text] A decision on implementing goals and tasks that the Federal Executive Council adopted in late February stipulates that the National Bank of Yugoslavia provide 84.4 billion [dinars] from its primary issue in 1982 to finance the priority tasks of economic policy; 81 billion of this will be used for the monetization of valuable papers and for support in achieving the selective goals of monetary-credit policy. Support for achieving the selective goals will be carried out by monetization with a selective designation of the valuable papers and other documents derived from the commodity and monetary activities of organizations of associated labor, and with the issue of selective credits. The criteria for the use of monetization with selective designation, in accordance with the tasks from the Social Plan of Yugoslavia for the current medium-term period, will be established by the Assembly of Yugoslavia on the basis of the proposals prepared for 1982 by the National Bank of Yugoslavia.

Most for Encouraging Exports

In accordance with a decision by the Yugoslav Assembly on the goals and tasks of the joint issue and monetary policy and the joint foundations of the credit policy, the primary issue in 1982 will be used primarily to encourage exports--i.e., exports of goods and services for cash; commercially financed exports of goods; financed exports of goods and services to the developing countries; payment of claims based on the financed export of equipment and ships and the performance of financed investment work; the production and preparation of goods for export and the supply of associated labor to tourist and hotel organizations in order for them to prepare for providing services to foreign tourists, financing the production and preparation of goods for export in accordance with contracted deals financed by an international financial organization, and paying claims from the International Bank for Reconstruction and Development based on work that has been carried out and paid for and equipment that has been installed for investment programs in Yugoslavia that are partially financed with funds from the World Bank.

Within the framework of the socially organized production and reserves of basic agricultural and food products, credits from the primary issue will be used for the production of wheat, rice, corn, sugar beets and sugar, oil crops and

tobacco; for the raising of livestock (cattle, pigs, sheep, poultry and fish) and the production of milk; for seasonal reserves of domestic wheat, rice, corn, oil crops, domestic unprocessed oil, sugar beets, sugar, tobacco, table grapes and apples in freezers, wine in the wine cellars of the social sector, meat in freezers, and milk products from social production.

In addition, this year the primary issue will also be used for the market commodity reserves of agricultural and food products; the sale and purchase of domestic ships and equipment for credit in Yugoslavia; reserves of coal in coal mines, at thermoelectric power stations and other large coal consumers in the economy, and in trade in the larger consumption centers; and imports of raw materials and semi-finished products from the developing countries and from certain hard currency areas, in accordance with the list of products from certain countries designated by the Federal Executive Council.

In accordance with the decision on the goals and tasks of the joint issue and monetary policy and the joint foundations of the credit policy, in 1982 the financing of the preparation of production for export and the exports themselves of goods and services will be carried out under more favorable conditions in regard to the terms for repaying credits and the participation of the primary issue than the conditions prevailing in 1981, as long as these conditions are in accordance with the framework established for the primary issue.

Furthermore, the basic agricultural and food products will be at least in the same situation as in 1981 in regard to financing from the primary issue, especially in regard to the terms for repaying the credits and the participation of the primary issue. In this case, as well as in the support for exports, the conditions must be coordinated with the framework planned for the primary issue.

Preventing an Unjustified Accumulation of Reserves

In order to support an increase in the exports of capital goods, it has been planned that the banks will increase their investments for this purpose. Through a self-managing agreement, in accordance with the Social Plan for Yugoslavia for the current medium-term period, the banks are to pool in the Yugoslav Bank for International Economic Cooperation at least 5.5 billion dinars for financing exports of equipment and ships and for carrying out investments abroad for credit. Furthermore, since the use of the primary issue for financing exports of capital goods in 1982 will be carried out under more favorable conditions than in 1981, the primary issue will also be used to ensure significant support for exports of equipment and ships and for carrying out investments abroad.

A special measure of the monetary-credit policy, which is being introduced for the first time for 1982, is preventing the use of the primary issue for the unjustified formation and maintenance of reserves for the purpose of creating an artificial shortage of goods on the market, in order to exert pressure for increasing the prices of the products in the reserves formed with the support of the primary issue.

9909

CSO: 2800/338

PAYMENT PROBLEMS IN YUGOSLAV-IRANIAN TRADE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Mar 82 p 3

[Article by Zdravka Cicmirko-Pokrajcic: "The Bankers Have Obstructed the Work"]

[Text] This year, as stipulated in the plan, trade with Iran should amount to about \$500 million. Thus Iran's share of Yugoslavia's trade with Asian developing countries would be greater--9.9 percent for exports and 8.4 percent for imports. As things stand, however, the plan apparently will not be carried out. The dynamic progress of trade has been obstructed in the banking stage. The Yugoslav-Iranian interbank arrangement should have promoted trade. Instead, there has been a holdup in carrying out the concluded deals and new ones cannot be resolved. The losses are great, and it will not be possible to compensate for the foreign exchange lost, at least not this year.

It is difficult to compile a detailed analysis of everything that has happened in the last few months in regard to trade with Iran but it is well known that the PKJ [Yugoslav Economic Chamber] Section for Economic Relations with Iran has decided the vital questions for business with this country without the participation of the businessmen who were gathered there anyway. Let us pass by this, however.

During the talks between Yugoslav and Iranian businessmen in September 1981, the directions for the development and promotion of economic relations between the two countries were established. On that occasion we accepted the proposal by the Iranians that trade be balanced, with Iran adjusting its purchases of goods from Yugoslavia to the amount of the agreed purchases of oil and other Iranian products. Instead of beginning to work on an agreement and the development of mechanisms immediately after these talks--on how to organize trade with Iran as well as possible, naturally with the inclusion of the organizations of associated labor interest in this market and all other competent bodies--all the essential issues associated with collecting payments for exports and paying for imports were agreed upon by the bankers themselves. Without the participation of industry, a consortium of Yugoslav banks was formed; on 10 January this year it signed an interbank arrangement with Iran. On the Yugoslav

side, the signers, on behalf of the consortium of eight commercial banks, were the Ljubljana Bank and the Associated Belgrade Bank; the signers on the Iranian side were representatives of the Markazi Bank (the central bank of Iran). It was agreed that the arrangement would become effective on 1 February so that the dynamic trade that had begun and the export activity would be continued.

Instead of dynamism and activity, however, trade has been frozen. The representatives of the banks that signed the arrangement notified the industry that by 1 February at the latest they would prepare guidelines for work and create conditions for normal payment for existing exports and for contracted exports. As of 20 March, however, the guidelines had not been provided, work and payments with Iran are not being carried out, and the letters of credit that are being opened in favor of our exporters are only payable when and if funds are deposited to pay for imported oil. It is well known how foreign exchange funds are collected in Yugoslavia for that purpose; 2-1/2 months after the signing of the interbank agreement, the Association of Yugoslav Banks is insisting on the formation of an operational body under the Yugoslav Economic Chamber to coordinate effectively the positions of various federal agencies for successful achievement of the planned exports to Iran.

At the creation of the consortium, the bankers were aware, and even confirmed, that the concept of balanced trade with Iran should be achieved on the whole in accordance with the foreign trade and foreign exchange regulations and without the involvement of the National Bank of Yugoslavia. Now the banks that signed the arrangement are insisting on changes and the involvement of the National Bank of Yugoslavia. In a letter at the beginning of March this year, the Ljubljana Bank, on behalf of the consortium, requested the views of the National Bank of Yugoslavia on the draft guidelines for payment transactions according to the interbank arrangement with Iran. The Ljubljana Bank has noted from the answer of the National Bank of Yugoslavia that the consortium's guidelines are to be changed and that a working group should be formed among experts of the banks belonging to the consortium; the working group will have to draw up new guidelines.

The entire affair and the interbank arrangement are back to the starting point.

The Iranians have met their obligations for oil as agreed for January and February and they are insisting on obtaining the agreed consignments of Yugoslav goods. Our exporters are unable to do anything. The producers of railroad vehicles and producers of construction machinery concluded deals worth \$45 million for this year with Iran. They cannot carry out the exports because no letters of credit have been opened. The same thing has happened with the contracts of HEMPRO and RUDNAP from Belgrade and many other exporters. While businessmen are racking their brains over how to export goods to Iran and are speaking with nostalgia of when they conducted business beautifully without a consortium, the experts of the eight Yugoslav commercial banks are still consulting each other.

9909

CSO: 2800/338

YUGOSLAV FOOD EXPORTS, IMPORTS IN 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Apr 82 p 3

[Article by Milenko Nikitovic: "For the Second Time More Than a Billion Dollars"]

[Text] According to the data of the Federal Institute for Statistics, Yugoslav exports of food, beverages and tobacco in 1981 amounted to \$1,157,000,000, which is about \$100 million, or as much as 10 percent, more than in 1980. Food exports constitute 10 percent of total Yugoslav exports, which amounted to \$10.5 billion. Thus, for the second time in a row, food exports have exceeded \$1 billion, a sum that was unattainable for decades. At the same time, the food sector is taking the leading place on the table of exports, followed by all others, including machine-building, metal-processing, textiles, leather, wood, etc. The record surplus in the foreign trade balance for food, amounting to \$369 million, should also be emphasized.

Undoubtedly the production forces, capacities, resources and unutilized possibilities in the sector of food, and thus of agriculture and the food-processing industry, conceal within themselves great internal reserves for increasing agricultural exports. Last year's volume of exports was achieved in a year in which the harvest and the yields were not the best; the exports of young beef, the largest export item after fruit and vegetables, were even considerably reduced.

Record agricultural exports in 1981, however, were made possible by an increase in shipments of other livestock products, record exports of fruit and vegetables, \$100 million worth of grain, alcoholic beverages and wine (close to \$100 million) and tobacco and tobacco products.

More detailed analysis shows that exports of live cattle, live horses and canned meat were increased by \$73 million, followed by poultry, eggs and lamb. Even the \$70-million increase in exports of fruit and vegetables is of particular significance. For the first time we passed the figure of \$100 million in exports of canned meat and \$20 million in lamb. The figures for exports of several of the most important products are as follows:

ExportsMillions of Dollars

Livestock	149
Meat	110
Canned meat	118
Poultry	103
Fruit and vegetables	266
Wine and alcoholic beverages	91
Tobacco and tobacco products	130

Where are further possibilities for increasing agricultural exports?

Insufficient Exports of Livestock and Meat

Exports of \$259 million are insufficient for the livestock industry of a country in which 35 percent of the population is engaged in agriculture and which has 10 million hectares of arable land and pastures. In 1981 there was a decline in exports of young beef (only \$80 million exported in comparison with \$143 million in 1980). As a result of the standstill in shipments to Greece, it is realistic to set a goal of at least \$300 million in livestock and meat exports by 1983. Naturally this implies organized action in livestock production, from changing further the mix of cattle breeds in individual areas, to even increasing the number of head of cattle, especially in the socialist sector. According to the livestock inventory, we had 5.1 million head of cattle in 1921 and only 5.6 million in 1982. It is unnecessary to prove how absurd the state of our stock fund is, since for 60 years we have kept approximately the same number of cattle.

In addition to insufficient exports, in 1981 we imported 31,000 tons of beef for processing, and in 1980, as much as 55,000 tons. Thus, last year we exported 21,000 tons of "baby beef" but imported 31,000 tons of beef, which means that the balance is negative. This argues even more that we must advance and promote cattle raising more rapidly and effectively, for the sake of a better supply to the domestic market and of increasing exports.

The socialist sector has especially failed here. since part of such land of several tens of hectares does not keep a corresponding number of head of cattle, and some do not seriously engage in cattle-raising at all. Why is that? Simply, cattle-raising requires a great deal of work, and losses are possible; on the other hand, in farming, savings are, so to speak, guaranteed. Why expose oneself to risks? As for the fact that there is no meat, milk, or butter on the market--that is society's business.

Decline in Canned Pork Exports to the U.S. Has Been Halted

In spite of our ability to sell at least 20,000 tons of pork abroad each year, our last significant exports were in 1978; since then we have for the most part been importers, buying 4,000 to 10,000 tons per year. (We noted record exports in 1965, in the amount of 55,000 tons.)

Exports of canned port to the United States and USSR represent a significant item of our exports (\$82 million in 1981) and our capabilities here are nearly exhausted. Exports to the United States are declining, as seen from the following table:

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>Millions of dollars</u>	56	44	28	32

In making plans in 1978 for exports in the following years, it was felt that we would reach \$100 million fairly rapidly. We have both the capacities for and the possibilities for marketing such a volume.

The decline in the prices of live pigs in the United States in recent years, however, resulted in a decline in the prices of meat and canned meat; our exports were cut in half. It was felt that those exports should not be encouraged; they were left to the natural course of events. The consequence has been a 50 percent reduction in exports in 2 years. A positive element is that in 1981 the decline was halted and exports were even somewhat increased.

In the last 3 years, however, exports to the USSR have rapidly increased. This is an opportunity for us to obtain a position in the Soviet market and to keep it, through regular shipments (which we have not always been able to boast of), quality and a larger assortment. Last year canned meat exports amounted to \$118 million, including \$104 million for canned pork and \$14 million for beef. It is realistic to plan for a rapid growth of exports to the United States; by 1983 they may reach the figure of \$50 million. Although our exports of canned beef have been increased, they cannot be compared with the exports of canned pork. This is not because world exports of canned beef are slightly less but rather due primarily to the South American production.

What are the problems in exporting canned beef? These are primarily the expensiveness of the raw materials (beef) and the impossibility of seriously competing with the East European countries in the West European market and with the South American producers in the Middle Eastern and African market.

Exports through Greater Production

After a long period, we succeeded in selling 6,000 tons of poultry in the foreign market (in 1980 it was only 1,650 tons). We simply do not have more goods for export. While Hungary, for example, is exporting 50,000 tons (\$65 million) per year, and France is exporting 300,000 tons, we are just beginning. The shortage of protein feed is not promising for either production or exports in the near future.

At the Novi Sad food congress in December 1980, goals in agricultural exports until 1985 were set, and the figure of \$2 billion was presented as a possibility. It is possible to achieve this volume of exports but only if we also export the products that we have so far mostly imported regularly, or exported in symbolic quantities. These are primarily grain, corn and wheat. The amounts of 10 million tons of corn and 6 million tons of wheat, records that

are unfortunately not repeated every year, are our minimum requirement. At the same time, these figures are a barrier that we are not able to surmount. In practical terms only amounts greater than these figures can be considered as our possibilities for exports.

It is felt that this could be an amount of 2 million tons of corn and 1 million tons of wheat. This would contribute a foreign exchange income of about \$400 million per year. How do we produce 12 million tons of corn and 7 million tons of wheat?

The problems of agricultural production are complex and manifold, but they can be reduced primarily to low yields and large areas of uncultivated land. Here one may also speak of the backwardness of the socialist sector, which is a failure both in yields and in persuading the private sector to accept modern technology, which would allow considerably greater yields and thus an increase in total grain production.

Experts say that the genetic capacity of corn is over 100 mc per hectare but we are still at 45 mc per hectare. The high yields of the socialist sector are unfortunately a thing of the past; they were first-rate 20 years ago. Austria, the Netherlands, Italy and West Germany, not to mention the United States, are far ahead of us in this. The socialist sector of agriculture is also suffering from other weaknesses, such as low productivity, a large expenditure of human labor, low income per hectare and also low yields, a small share by livestock raising in total production, etc.

These problems have not been discussed at large meetings, such as the federal conference on food at the Sava Center in Belgrade and the Novi Sad Food Congress. They were, however, brought out very well at the plenum of the Croatian LC Central Committee in November 1980 in Zagreb, which was devoted to agriculture.

In any case we should not go on this way any longer. Extensively organized action by the community to overcome the difficulties in regard to grain is essential and inevitable: setting concrete tasks for the socialist and private sectors in regard to the areas that should be sown, the use of agricultural technology and modern technology, the use of first-class seed, etc.--all in order to produce amounts of grain sufficient for feeding the population and also for exports, because continuing to import wheat and corn is, to say the least, unjustifiable.

We Are Importing Sugar Instead of Exporting It

Our capacities for processing sugar beet and producing sugar are about 1.2 million tons of sugar. Probably for the first time in our history, we began to export sugar in 1979; then in 1980 and 1981 we imported 155,000 tons of sugar at a value of \$88 million. We simply must sow areas with sugar beets to ensure enough sugar production to satisfy the needs of the country and at least 200,000 tons for export. This was also the purpose of building tons of new

sugar mills in Yugoslavia. Our goal should be exporting 2 million tons of corn, up to 1 million tons of wheat and a minimum of 200,000 tons of sugar.

It is understandable that fruit, vegetables, wine, alcoholic drinks, tobacco and tobacco products are among our most significant export items. In 1981 these exports reached about \$0.5 billion. Each of these products, taken separately, deserves the full attention of both the producers and society as a whole, because they are very important for the balance of payments and the Yugoslav economy. An increase in the production and export of all of these products can be achieved.

An active Balance

The following table shows the Yugoslav foreign trade balance in food for the last 5 years:

	(In millions of dollars)				
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>Exports</u>	606	687	783	1,050	1,157
<u>Imports</u>	783	604	977	955	788
<u>Balance</u>	-177	+83	-194	+95	+369

In discussing imports, one should naturally not lose much time on coffee and tropical fruit, because these are permanent import items. Let us dwell, however, on the goods that we can produce in sufficient amounts but in which we are always lacking and always importing with precious funds. These are:

<u>Product</u>	<u>Tons</u>	<u>1981 Imports</u> <u>Millions of Dollars</u>
Beef	30,776	46.4
Pork	2,392	4.6
Giblets	6,494	4.0
Milk products--butter, eggs	-	25.8
Wheat	407,000	76.0
Sugar	<u>155,000</u>	<u>88.0</u>
Total:		244.8

We should also add livestock feed, \$150 million of which was imported. This is mostly crushed soybeans and fish flour, and thus protein feed. We produce fish flour and soybeans in smaller quantities but there is a possibility of replacing the expensive imported components with domestic livestock feed, to a great extent.

The Plans Should Become Obligatory

It is well known that our possibilities for increasing agricultural exports are enormous, for almost all products. It is undeniable that we lack more precise and concrete plans, as well as accompanying measures that would make it possible to carry out the plans that have been established. It is necessary to transform the plan tasks into plan obligations and not have the plans not binding on anyone.

Through more organized work and actions by the factors of production, trade, the associations, bank and the entire society, our agricultural exports can without a doubt reach the planned, necessary and essential \$2 billion, and probably even more, within a few years.

9909

CSO: 2800/349

PRODUCTION, CONSUMPTION, PLANS IN CHEMICAL INDUSTRY

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 23 Apr 82 p 11

[Article by R. Krcunovic: "Discrepancy in the Usual Flows"]

[Text] In spite of the large number of its diverse products the Yugoslav chemical industry relies on a relatively small number of raw materials, 10 of which, the leader is in terms of quantity, have a share of about 90 percent in total consumption. Four groups of initial raw materials in the chemical industry--carbon (petroleum, natural gas, coal and their derivatives), nonmetallic (phosphates, pyrite, potassium and sodium chloride, sulfur, borates and others), metallic (titanium and chromium concentrates, alumina, copper, lead and zinc) and biological (cellulose, molasses and fats)--are consumed in an amount exceeding 610 million tons a year in world production, in which the share of the Yugoslav industry is 0.59 percent.

Imports Dominant

About 930 kilotons of carbon raw materials, 3,200 of nonmetallic, 85 kilotons of metallic and 205 kilotons of biological raw materials are produced today in Yugoslavia. If we compare the pattern of their consumption with the world pattern, we note large differences, first of all considerably less carbon raw materials because of the lag of petrochemical production, while the situation is the reverse with respect to nonmetallic raw materials. Raw materials are consumed in our industry in the following proportions: carbon 22.2 percent, nonmetallic 71.1 percent, metallic 2 percent and biological 4.7 percent, while the world pattern is carbon 32.8 percent, nonmetallic 60.7, metallic 10 and biological 30 percent.

The imported portion of total consumption of raw materials in the domestic chemical industry has been growing steadily in absolute terms and in proportion, which is a reflection of our orientation, which incidentally is the orientation of almost all European countries, to develop the chemical industry on the basis of imported raw materials. Thus our chemical industry consumes a total of more than 3,600 tons of raw materials every year, 2,600 of which are imported, representing about 60.4 percent. As a matter of fact, several of the most important raw materials are entirely imported, such as phosphates, potassium salts, sulfur, titanium concentrate, mineral borate; a number of others are partially imported, among them natural gas, petroleum and

derivatives, salt, pyrite, quartz sand, chromium concentrate, cellulose, fats, rosin and charcoal. The steady growth of imports can be illustrated with figures which show that the amount of these raw materials in 1970, for example, was 1,396 kilotons, while 10 years later it was 3,667 kilotons, or an increase of 2.7-fold.

In order to make up the shortage of quality energy raw materials, more than 73 percent of the total consumption of crude petroleum is obtained every year through imports, and the figure exceeds 76 percent if we include the imports of derivatives, and then 49 percent of the natural gas consumed is imported and 100 percent of the coking coal.

As for the supply of energy raw materials, we find there has been a steady slow growth of petroleum production, stagnation in natural gas production and a drop in the production of bituminous coal, which is in any case very small. At the same time new petroleum and natural gas deposits in the country are being explored, and explorations are including even the Adriatic Sea.

Chemical production is also characterized by a relatively low utilization of capacity, running about 50 percent for chlorine and electrolytic caustic soda, 65 percent for sulfuric and phosphoric acids, and 75 percent for ammonia. Utilization of capacity is especially low in Kosovo: 18 percent for phosphoric acid, 34 percent for sulfuric acid and 31 percent for superphosphates. On the other hand the amounts imported are 63.6 kilotons for the heavy inorganic chemical industry, 15.8 for phosphoric acid, 16.4 for chlorine, 131.8 for caustic soda, 93.6 for ammonia, and 108.3 kilotons for fertilizers. Yet all these amounts, except for about 60 percent of the caustic soda, could be manufactured by the domestic industry. The value of these imports is nearly \$100 million annually.

The Growth Continues

About 50 factories to produce chemical raw materials, either new construction starts or those already under construction, are to be completed by 1985 at existing centers or at new sites, and this will, of course, be accompanied by expansion of the present chemical manufacturing industry. Activating these facilities will increase the volume of new production, not counting that the chemical manufacturing industry will increase its capacity by about 10 million tons of new products. Heavy inorganic chemicals will have a share of 6-6.5 million tons of this and heavy inorganic raw materials 3.5-3.8 million tons. It is assumed that it will also be possible to consume 2,430 kilotons of carbon raw materials annually, 4,200 kilotons of nonmetallic raw materials, 105 kilotons of metallic raw materials and 245 kilotons of biological materials, for a total of 6,980 kilotons. There will also be a proportional growth of demand for imported raw materials, whose share is estimated at 62.3 percent.

When the consumption of raw materials in 1985 is evaluated, it is assumed that all production capacities will be in operation, including those now in construction, and that their level of utilization will be higher: 70 percent for petrochemicals and ammonia, an increase to 30 percent for manufactured fertilizers and their raw materials, all of 100 percent for chlorine, and 40 percent

for soda ash. As a matter of fact a far better utilization of capacity is assumed for the manufacturing industry, which will also mean higher consumption of raw materials.

The new facilities in the chemical industry should guarantee a further growth of production, which, according to estimates, will grow at an annual rate of about 6 percent up to the year 1990 and will in turn require a similar growth in consumption of raw materials: carbon 3,380 kilotons, nonmetallic 5,300, metallic 180 and biological raw materials 280 kilotons. Imports will have a share of about 64.5 percent of those figures.

7045

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STATUS OF TRANSPORTATION INFRASTRUCTURE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 24-26 Apr 82 p 3

[Article by R. Krcunovic: "Basis of Greater Activities"]

[Text] Transportation is one of the most essential factors in the larger volume of commodity trade, in the development of various regions and in the opening up of new areas. At the same time it depends greatly on construction of the necessary infrastructure: railroad lines, highways, airports, seaports and riverports, transshipment points and other accompanying facilities. These facilities have a large impact on attraction of transit flows and on better utilization of our country's geographic and other advantages and in general on greater inclusion in the international division of labor.

Yet in the past period the transportation infrastructure has not been undergoing construction to meet needs and plans, and it has become one of the principal reasons for the ineffectiveness of the total transportation system, of the inappropriate division of labor on the market of transport services, and thereby also of inefficient business operation, which is having a manifold adverse effect on the business operation of the entire economy, which is manifested inter alia in the enormously high share of shipping costs in total production.

Unsafe "Slow Speed"

The modernization of railroad transportation in the last medium-term period was accomplished only at about 50 percent, so that the condition of the infrastructure has been little improved. Of the total length of the standard-gauge network, which is 9,465 km, only 981 km are double-track, only 3,167 km have been electrified, which is 33 percent. The picture is made worse by figures on the degree of wear and age, since only about half of the track is in good condition, about 53 percent has not yet been equipped to take an axle load of 20 tons, and accordingly only 12 percent has been equipped for speeds over 100 km per hour and only 60 percent for speeds exceeding 80 km per hour. A consequence of this situation is the unevenness of speeds. For example, on the main line between Jesenice and Djevdjelija alone there are 168 required speed changes, with an average interval of 7.34 km between them. This is the reason why traffic capacity is reduced, why trains are late and slow, and why there are so many incidents, that is, why the level of traffic safety has

dropped. In all, slow speeds are in effect on about 670 km and at 700 different places in the network of the Yugoslav Railway.

Of the planned electrification of 945 km of line, 495 km, or 53 percent, were done; 27 percent of the safety signal and remote control construction was done, and major repairs were done on only 1,311 km, or about 61 percent of the 2,138 km planned. Completion of this program in the current medium-term period is one of the most important goals; it is motivated by the desire to do better in completing what has been planned and started, and later plans will be made for other projects beyond that.

The Problem Called "Equipment"

As for the infrastructure of seaports, the breakwaters and docks were mainly built in the previous period, but plans were not fulfilled for building rail sidings, cargo sheds and storage areas or for furnishing cargo-handling machinery. The main problem in their further modernization is the importation of certain equipment which is not manufactured in the country and the shortage of foreign exchange to purchase parts and components, even though the inflow of foreign exchange realized by operation in seaports is the most lucrative, since there are hardly other expenses except for these purposes.

The situation is similar when we look at riverports, where construction work and docks have mainly been completed; they received about 65 percent of all the investment capital, while 30 percent went for equipment and 5 percent for other purposes. It remains, then, to furnish capital for equipment and machinery in the coming period. It is assumed that with better equipment of riverports and cargo terminals the volume of cargo handled could increase to over 65 million tons by 1985.

Yugoslavia today has 15 airports, among them 12 equipped for international traffic. By and large their structures and terminals meet the needs of the present and immediate future, except for a few where additional construction is envisaged, but at most of them the runways are not as satisfactory in quality, length or signal devices. The work organizations operating the airport are incapable of further investments on their own because they are overburdened with repayments of credit and repayment of loans from the previous period, so that sociopolitical communities are showing a greater interest in these projects, and their aid is almost indispensable to further improvement of their capability, especially since the functioning of the airports yields manifold benefits to the regions where they are located.

The network of highways, which are important factors to attracting more tourist traffic, transit and in general for the country's inclusion in the flows of the international economy, is not satisfactory. In order to provide greater safety, to speed up the development of certain regions, and especially to achieve a higher degree of connection of our transportation to certain international routes, projects to be completed by 1985 include sections of the Brotherhood and Unity Highway from the Karavanka Tunnel to the Yugoslav-Greek border via Kranj, Ljubljana, Zagreb, Belgrade, Nis and Skopje. And then certain of the most heavily trafficked sections will be completed on the

North-South Highway: that is, the sections Subotica--Osijek--Bosanski Samac--Doboj--Sarajevo--Mostar--Kardeljevo and Subotica--Feketic--Novi Sad--Indjija--Batajnica. So that Montenegro can become better connected to the network of main and international highways, construction will continue on the highway from Titograd and Niksic to Sarajevo via Foca. So that the southern part of the country is better connected to the central portion and the Adriatic coast, the Pec-Andrijevisa highway will be built via Cakor.

The necessary facilities of the basic infrastructure will be built and rounded out so as to guarantee accomplishment of the basic goals: the possibility of greater influence of transportation on development of particular areas, development of the economy, and faster and better inclusion in the international division of labor.

7045

CSO: 2800/377

BRIEFS

FIRST COBALT DEPOSIT--Geologists have discovered the first cobalt deposit in our country near Zivinice not far from Tuzla. According to initial estimates, these cobalt reserves in the localities of Tadici-Brezik and Gabi-Kovacevic would be sufficient to free us for a number of years from imports of this rare metal and enable us, we hope, in the future to be among the few countries to export cobalt. It has been shown that there are three main levels of cobalt deposits which, with their offshoots, from one enclosed ore field with an estimated potential of 3,000 to 5,000 tons of cobalt. The cobalt content of the iron and nickel ore, it is believed, can be successfully enriched by flotation. [Excerpt] [Sarajevo OSLOBODJENJE in Serbo-Croatian 28 Apr 82 p 4]

AUTO PRODUCTION, EXPORTS--In the first 4 months of this year the "Crvena Zastava" plants in Kragujevac exported 10,878 passenger cars; this was 17 percent below the plan for this period. This was largely the result of reduced production; namely, 47,000 cars were produced in this period, or 30 percent less than the planned number. This factory, nevertheless, expects production to be normalized and to achieve a record export of about 52,000 cars by the end of the year. [Text] [Zagreb VJESNIK in Serbo-Croatian 8 May 82 p 12]

NONFERROUS METAL PRODUCTION, EXPORTS--As has been the case in previous years, this year's balance sheet for nonferrous metals shows that processors' needs are considerably more than production. In most cases domestic production could meet [processors'] needs, but because of large export obligations, processors do not have enough metal and therefore must import. This year the plan calls for the production of 290,000 tons of aluminum. Processors' needs amount to about 200,000 tons, but export obligations of producers amount to 123,000 tons, so significant amounts of aluminum must be imported. Bauxite export obligations amount to about 300,000 tons, and alumina export obligations amount to 700,000 tons. Most of these exports will be to the USSR and the GDR which have provided credits and equipment. Copper processors need about 170,000 tons. As is usual, they provide the foreign exchange to import this raw material to produce copper. They are expected this year to produce 36,000 tons from imported raw materials, and about 100,000 tons from domestic raw materials, producing a total of 136,000 tons of copper. Planned production of lead this year is nearly 120,000 tons. The needs of consumers amount to 134,000 tons, while export obligations amount to 24,000 tons. In regard to zinc, needs are less than planned production--90,000 tons compared to 98,000 tons. But zinc producers are obligated to export about 32,000 tons, so processors will have to import certain quantities. [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 19 Apr 82 p 31]

LACK OF CORN--A critical situation in regard to the supply of corn exists in almost all republics and provinces, because corn deliveries are not proceeding as planned in the Social Agreement or the Self-Management Agreement. For normal supply, Slovenia lacks 100,000 tons, Serbia 314,000 tons, and Macedonia about 140,000 tons of corn. Corn reserves vary from 4 to 60 days in individual regions (Slovenia has the most reserves while the most critical situation exists in the Pomoravlje area and in Macedonia). It was said that a price increase would not increase the buying up of corn [for market consumption], but would rather cause disruptions in other branches of the agrocomplex. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 6 May 82 p 1]

BANK CREDITS PLANNED--According to a survey of the bank association, banks in Yugoslavia plan to grant 221.6 billion dinars in long-term credits by the end of the year (123.6 billion dinars more than planned in the adopted credit-monetary policy), and 127.1 billion dinars in the short-term credits, or 44 billion dinars less than the plan. [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 19 Apr 82 p 9]

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